

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED BALANCE SHEET AS AT 31 JULY 2007

	Note	As at 31-Jul-07 RM'000	As at 31-Jul-06 RM'000
Group			
Assets			
Cash and short term funds		592,719	417,430
Deposits and placements with banks and other financial institutions		15,000	-
Securities held-for-trading	A8	12,549	12,857
Securities available-for-sale ("AFS")	A9	143,390	90,476
Loans and advances	A10	75,793	63,247
Clients' and brokers' balances	A11	920,829	370,786
Other assets	A12	25,762	29,901
Statutory deposits with Bank Negara Malaysia		-	-
Tax recoverable		4,825	13,257
Deferred tax assets		1,051	-
Interests in jointly controlled entities		480	646
Property, plant and equipment		63,925	67,012
Investment properties		17,950	21,734
Intangible assets		162,619	110,119
Total assets		<u>2,036,892</u>	<u>1,197,465</u>
Liabilities			
Deposits from customers	A13	88,605	-
Deposits and placements of banks and other financial institutions	A14	174,502	-
Clients' and brokers' balances		538,918	201,840
Other liabilities	A15	313,455	169,373
Taxation		5,103	62
Deferred tax liabilities		543	735
Borrowings	A16	168,000	150,000
Total liabilities		<u>1,289,126</u>	<u>522,010</u>
Equity			
Share capital		265,559	264,165
Reserves		488,441	418,350
Treasury shares, at cost		(16,024)	(15,025)
Equity attributable to equity holders of the Company		737,976	667,490
Minority interests		9,790	7,965
Total equity		<u>747,766</u>	<u>675,455</u>
Total liabilities and equity		<u>2,036,892</u>	<u>1,197,465</u>
Net assets per share (RM)		<u>2.90</u>	<u>2.63</u>

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2006.

Certain comparative figures have been restated arising from the application of the Revised Guidelines on Financial Reporting for Licensed Institutions issued by Bank Negara Malaysia (BNM/GP8) and the new and revised Financial Reporting Standards (FRSs) as well as to conform with current financial year's presentation.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 JULY 2007

	Note	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
		3 months ended 31-Jul-07 RM'000	3 months ended 31-Jul-06 RM'000	12 months ended 31-Jul-07 RM'000	12 months ended 31-Jul-06 RM'000
Group					
Operating revenue		106,575	60,641	358,792	173,206
Interest income	A17	9,744	6,881	31,812	27,430
Interest expense	A18	(4,479)	(1,022)	(11,750)	(2,446)
Net interest income		5,265	5,859	20,062	24,984
Other operating income	A19	100,707	54,697	340,213	152,221
Net income		105,972	60,556	360,275	177,205
Other operating expenses	A20	(72,665)	(47,440)	(243,903)	(139,674)
		33,307	13,116	116,372	37,531
Allowance for losses on loans and advances	A21	(845)	(911)	(3,579)	(321)
Write back of allowance for bad and doubtful debts on clients' balances and trade receivables	A22	369	197	2,916	7,631
Impairment losses on an investment property		(3,390)	-	(3,390)	-
		29,441	12,402	112,319	44,841
Share of results of jointly controlled entities, net of tax		(165)	(142)	(608)	(346)
Profit before taxation		29,276	12,260	111,711	44,495
Taxation	B6	(8,712)	9,019	(30,898)	(3,436)
Profit for the financial year		20,564	21,279	80,813	41,059
Attributable to:					
Equity holders of the Company		19,172	20,862	77,634	39,297
Minority interests		1,392	417	3,179	1,762
		20,564	21,279	80,813	41,059
Earnings per share attributable to equity holders of the Company (sen)	B14				
- Basic		7.52	8.20	30.54	15.26
- Fully diluted		7.50	8.19	30.48	15.26

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2006.

Certain comparative figures have been restated arising from the application of the Revised Guidelines on Financial Reporting for Licensed Institutions issued by Bank Negara Malaysia (BNM/GP8) and the new and revised Financial Reporting Standards (FRSs) as well as to conform with current financial year's presentation.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 JULY 2007

	Attributable to Equity Holders of the Company										
	Issued and fully paid ordinary shares of RM1 each							Non- distributable			
	Number of shares '000	Nominal value RM'000	Treasury shares RM'000	Share premium RM'000	Statutory reserve RM'000	AFS reserve RM'000	Options reserve RM'000	Distributable Retained profits RM'000	Total RM'000	Minority interests RM'000	Total equity RM'000
Group											
As at 1 August 2006											
As previously reported	254,138	264,165	(15,025)	32,014	-	-	-	386,250	667,404	7,965	675,369
Effects arising from adoption of FRSs	-	-	-	-	-	-	-	(402)	(402)	-	(402)
Effects arising from adoption of BNM/GP8	-	-	-	-	-	(1,811)	-	2,299	488	-	488
As restated	254,138	264,165	(15,025)	32,014	-	(1,811)	-	388,147	667,490	7,965	675,455
Net change in fair value of securities AFS, net of tax	-	-	-	-	-	13,752	-	-	13,752	-	13,752
Net gain transferred to income statement on sale of securities AFS	-	-	-	-	-	(4,051)	-	-	(4,051)	-	(4,051)
Net gain recognised directly in equity	-	-	-	-	-	9,701	-	-	9,701	-	9,701
Profit for the financial year	-	-	-	-	-	-	-	77,634	77,634	3,179	80,813
Total recognised income and expenses for the financial year	-	-	-	-	-	9,701	-	77,634	87,335	3,179	90,514
Transfer to statutory reserves	-	-	-	-	37,926	-	-	(37,926)	-	-	-
Shares repurchased held as treasury shares at cost	(635)	-	(999)	-	-	-	-	-	(999)	-	(999)
Issue of options	-	-	-	-	-	-	408	-	408	-	408
Options exercised	1,394	1,394	-	870	-	-	(88)	-	2,176	-	2,176
Final dividend for the financial year ended 31 July 2006	-	-	-	-	-	-	-	(9,140)	(9,140)	-	(9,140)
Interim dividend for the financial year ended 31 July 2007	-	-	-	-	-	-	-	(9,294)	(9,294)	-	(9,294)
Final dividend paid by a subsidiary to minority interests for the financial year ended 31 July 2006	-	-	-	-	-	-	-	-	-	(1,354)	(1,354)
As at 31 July 2007	254,897	265,559	(16,024)	32,884	37,926	7,890	320	409,421	737,976	9,790	747,766

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2006.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 JULY 2007

	Attributable to Equity Holders of the Company											
	Issued and fully paid ordinary shares of RM1 each							Non- distributable	Distributable	Total	Minority interests	Total equity
	Number of shares '000	Nominal value RM'000	Treasury shares RM'000	Share premium RM'000	Statutory reserve RM'000	AFS reserve RM'000	Options reserve RM'000	Retained profits RM'000	RM'000			
Group												
As at 1 August 2005												
As previously reported	259,618	264,034	(6,837)	31,959	-	-	-	361,425	650,581	6,785	657,366	
Effects arising from adoption of FRSs	-	-	-	-	-	-	-	(24)	(24)	-	(24)	
Effects arising from adoption of BNM/GP8	-	-	-	-	-	(2,781)	-	1,347	(1,434)	-	(1,434)	
As restated	259,618	264,034	(6,837)	31,959	-	(2,781)	-	362,748	649,123	6,785	655,908	
Net change in fair value of securities AFS, net of tax	-	-	-	-	-	(237)	-	-	(237)	-	(237)	
Net loss transferred to income statement on sale of securities AFS	-	-	-	-	-	1,207	-	-	1,207	-	1,207	
Net gain recognised directly in equity	-	-	-	-	-	970	-	-	970	-	970	
Profit for the financial year	-	-	-	-	-	-	-	39,297	39,297	1,762	41,059	
Total recognised income and expenses for the financial year	-	-	-	-	-	970	-	39,297	40,267	1,762	42,029	
Shares repurchased held as treasury shares at cost	(5,611)	-	(8,188)	-	-	-	-	-	(8,188)	-	(8,188)	
Options exercised	131	131	-	55	-	-	-	-	186	-	186	
Acquisition of additional equity interest in a subsidiary	-	-	-	-	-	-	-	-	-	(582)	(582)	
Final dividend for the financial year ended 31 July 2005	-	-	-	-	-	-	-	(9,333)	(9,333)	-	(9,333)	
Interim dividend for the financial year ended 31 July 2006	-	-	-	-	-	-	-	(4,583)	(4,583)	-	(4,583)	
As at 31 July 2006	254,138	264,165	(15,025)	32,014	-	(1,811)	-	388,129	667,472	7,965	675,437	
Effect of adopting FRS 3 (note A1(b))	-	-	-	-	-	-	-	18	18	-	18	
As restated	254,138	264,165	(15,025)	32,014	-	(1,811)	-	388,147	667,490	7,965	675,455	

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2006.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 JULY 2007

	12 months ended 31-Jul-07 RM'000	12 months ended 31-Jul-06 RM'000
Group		
Profit for the financial year	80,813	41,059
Adjustments for:		
Non-cash items	35,162	11,488
Non-operating items - investing	(12,296)	(5,225)
Non-operating items - financing	7,214	2,055
	<u>110,893</u>	<u>49,377</u>
Changes in working capital:		
Net changes in operating assets	(550,930)	153,109
Net changes in operating liabilities	628,164	(43,887)
	<u>188,127</u>	<u>158,599</u>
Interest paid	(3,276)	(391)
Tax paid	(19,560)	(6,361)
	<u>(22,836)</u>	<u>(6,752)</u>
Net operating cash flow	<u>165,291</u>	<u>151,847</u>
Investing activities		
Proceeds from disposals of property, plant and equipment	4,275	196
Purchase of property, plant and equipment	(14,556)	(4,784)
Proceeds from disposals of investment properties	-	5,899
Net purchase of securities	(33,905)	(1,669)
Interest received from securities	2,785	2,601
Dividends received	1,226	1,551
Proceeds from disposals of other investments	33	7
Acquisition of additional equity interest in a subsidiary	-	(579)
Additional investments in jointly controlled entities	(442)	(992)
Contribution to the Government of Malaysia for a merchant bank licence	(42,500)	(10,000)
	<u>(83,084)</u>	<u>(7,770)</u>
Net investing cash flow	<u>(83,084)</u>	<u>(7,770)</u>
Financing activities		
Dividends paid	(18,434)	(13,916)
Dividend paid by a subsidiary to minority interests	(1,354)	-
Interest paid on borrowings	(7,256)	(1,606)
Net drawdown of borrowings	18,000	25,000
Issue of shares	2,176	186
Shares repurchased	(999)	(8,188)
	<u>(7,867)</u>	<u>1,476</u>
Net financing cash flow	<u>(7,867)</u>	<u>1,476</u>
Net change in cash and cash equivalents	74,340	145,553
Cash and cash equivalents at beginning of the financial year	265,602	120,049
Cash and cash equivalents at end of the financial year	<u>339,942</u>	<u>265,602</u>
Cash and cash equivalents at end of the financial year comprised:		
Cash and short term funds	324,942	265,602
Deposit and placements with banks and other financial institutions	15,000	-
	<u>339,942</u>	<u>265,602</u>

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2006.

Certain comparative figures have been restated arising from the application of the Revised Guidelines on Financial Reporting for Licensed Institutions issued by Bank Negara Malaysia (BNM/GP8) and the new and revised Financial Reporting Standards (FRSs) as well as to conform with current financial year's presentation.

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

Notes to interim financial report for the fourth quarter and financial year ended 31 July 2007

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

A1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with the Financial Reporting Standards ("FRS") 134 on "Interim Financial Reporting", Bank Negara Malaysia's (BNM's) Revised Guidelines on Financial Reporting for Licensed Institutions ("BNM/GP8) and Chapter 9, Part K of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). The interim financial report should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2006.

The specific and general allowances for losses on loans and advances of the investment banking subsidiary are computed based on BNM's Guidelines on Classification of Non-performing Loans, Advances and Financing and Provision for Substandard, Bad and Doubtful Debts (BNM/GP3) whilst the allowances for loans of the moneylending subsidiary follow the general guidelines as set out in BNM/GP3 in so far as it relates to the parameters for periods of default and provisioning rates.

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 2006 except for the adoption of the following new and revised Financial Reporting Standards ("FRSs") that are effective for the Group's financial year ended 31 July 2007 and the guidelines set out in BNM/GP8:

<u>FRS</u>	<u>Description</u>
FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interest in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of FRS 108, 110, 116, 121, 128, 132 and 133 does not have significant financial impact on the financial statements of the Group.

The principal effects of changes in accounting policies and estimates are as follows:

(a) FRS 2, Share-based Payments

FRS 2 requires an entity to recognise share-based payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity.

The Company's Executive Share Option Scheme ("ESOS") for eligible executives of the Group is an equity-settled share-based compensation plan. In the prior financial years, no compensation expense was recognised for share options granted by the Company. With the adoption of FRS 2, the share options of the Company that are granted to the eligible employees of the Group as consideration for services rendered by the employees, are recognised in the income statements, by reference to the fair value of the share options at dates of grant, with a corresponding increase in equity.

FRS 2 applies to shares, share options or other equity instruments which were not vested on 1 August 2006. Share options granted by the Company prior to 1 August 2006 have been fully vested on the grant date. During the financial year ended 31 July 2007, the Company has granted 952,000 options to the employees of the Group. The adoption of this FRS has resulted in the recognition of equity compensation benefits amounting to RM408,000 in the income statement for the financial year ended 31 July 2007. No options were granted in the current quarter.

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

Notes to interim financial report for the fourth quarter and financial year ended 31 July 2007

A1. Basis of Preparation (cont'd)

(b) FRS 3, Business Combinations, FRS 136, Impairment of Assets and FRS 138, Intangible Assets

Goodwill

FRS 3 prohibits amortisation of goodwill acquired in a business combination and instead requires the goodwill to be tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired in accordance with FRS 136. Any impairment loss is recognised in the income statement and subsequent reversal is not allowed. Previously, the Group amortised goodwill using the straight line method over its estimated useful lives. Goodwill was tested for impairment only when there was any indication of impairment arising from review of its carrying amount at each balance sheet date.

In addition, under FRS 3, negative goodwill, which represents the excess in fair value of net identifiable assets acquired over cost of acquisition is to be recognised immediately in the income statement. Previously, negative goodwill was recorded as reserve on consolidation in non-current assets.

The changes in accounting policies have been applied prospectively. In accordance with the transitional provisions of FRS 3, the accumulated amortisation of purchased goodwill as at 1 August 2006 of RM66,639,000 has been eliminated against purchased goodwill and the resultant net carrying amount of purchased goodwill of the Group of RM110,002,000 as at 1 August 2006 ceased to be amortised. This has the effect of increasing the profit before taxation by RM2,029,000 and RM8,949,000 for the current quarter and financial year ended 31 July 2007 respectively. Negative goodwill of approximately RM18,000 has been derecognised with a corresponding increase in retained profits as at 1 August 2006. Accordingly, there is no impact on the financial statements of the Group for the prior financial years.

Other intangible assets

The adoption of FRS 138 has resulted in recognition of identifiable non-monetary assets without physical substance as intangible assets. Intangible asset with infinite useful life is stated at cost less accumulated impairment, and are tested annually for impairment, as well as when there are indications of impairment. Intangible asset with finite useful life shall be carried at cost less accumulated amortisation and subject to impairment test when there is an indication of impairment.

With the adoption of FRS 138, the Group has classified the contribution made to the Government of Malaysia for a merchant bank licence amounting to RM52,500,000 as an intangible asset with infinite useful life in the balance sheet. The new accounting policy is adopted by the Group prospectively.

(c) FRS 101, Presentation of Financial Statements and FRS 127, Consolidated and Separate Financial Statements

The adoption of FRS 101 and FRS 127 has affected the presentation of minority interests, share of results of joint ventures and other disclosures in the financial statements. In the consolidated balance sheet, minority interests are now presented within equity and movements in minority interests are disclosed in the consolidated statement of changes in equity. In the consolidated income statement, share of results of jointly controlled entities is now presented net of tax and profit for the financial year attributable to minority interests is presented as an allocation of the profit/(loss) for the financial year respectively. Total recognised income and expenses for the financial year is disclosed in the consolidated statement of changes in equity, showing separately the amounts attributable to minority interests and equity holders of the Company.

The presentation of financial statements in this interim financial report is based on the requirements of FRS 101, FRS 127 and BNM/GP8. Comparative figures have been restated to conform with the presentation for the current financial year (refer to explanatory note A1(i)).

HWANG-DBS (MALAYSIA) BERHAD
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Notes to interim financial report for the fourth quarter and financial year ended 31 July 2007

A1. Basis of Preparation (cont'd)

(d) FRS 131, Interest in Joint Ventures

FRS 131, which makes reference to FRS 128, Investments in Associates for application of equity accounting, requires that losses recognised under the equity method in excess of the investor's investment in ordinary shares be applied to the other components of the investor's long-term interests that, in substance, form part of the investor's net investment in the joint ventures. The Group's interest in preference shares of the jointly controlled entities is now taken into consideration in determining the carrying amount of the Group's interests in jointly controlled entities. Previously, equity accounting of the Group's interests in jointly controlled entities only considered the Group's investment in ordinary shares of jointly controlled entities. Equity accounting was discontinued when the carrying amount of investment in the ordinary shares of jointly controlled entities reaches zero, unless the Group has incurred obligations or made payments on behalf of the jointly controlled entities.

The change in accounting policies has been accounted for retrospectively. Additional losses of a jointly controlled entity recognised by the Group as at 1 August 2006 amounted to RM392,000 with a corresponding decrease in retained profits. For the current quarter and financial year ended 31 July 2007, the additional losses recognised by Group amounted to RM157,000 and RM523,000 respectively.

(e) FRS 140, Investment Property

FRS 140 defines an investment property as a property held to earn rentals or for capital appreciation or both. Properties, which are occupied by the Group do not qualify as an investment property in the consolidated balance sheet.

With the adoption of FRS 140, the Group has reclassified certain property, plant and equipment at a total carrying amount of RM6,285,000 as at 1 August 2006 to Investment Properties. The Group adopted cost model as the basis of measurement of investment property which requires the assets to be stated at cost less accumulated depreciation and accumulated impairment losses. Freehold land is not depreciated. Previously, all investment properties were not depreciated. The change in accounting policy, which is accounted for retrospectively, has resulted in a decrease of RM28,000 and RM24,000 in retained profits of the Group as at 1 August 2006 and 1 August 2005 respectively to adjust for accumulated depreciation on investment properties in prior financial years. For the current quarter and financial year ended 31 July 2007, the resulting impact is an increase in depreciation charge of the Group by approximately RM75,000 and RM300,000 respectively.

(f) BNM/GP8

(1) Presentation of Financial Statements

The consolidated income statement and balance sheet in respect of the current quarter and financial year ended 31 July 2007 are prepared in accordance with BNM/GP8 format requirements.

(2) Securities Portfolio

Previously, securities were classified as either "Non-current investments", "Short term investments" or a component of "Funds under management". Non-current investments are stated at cost, adjusted for amortisation of premium or accretion of discount and allowance for diminution in value will be made for non-temporary decline in value. Short term investments are stated at the lower of cost, adjusted for accrued interest, where applicable and market value, determined on a total portfolio basis. Funds under management held in the form of securities are stated at the lower of cost and market value, on a total portfolio basis. Any gain/loss arising from revaluation or sale of securities is recognised in the income statement.

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

Notes to interim financial report for the fourth quarter and financial year ended 31 July 2007

A1. Basis of Preparation (cont'd)

(f) BNM/GP8 (cont'd)

(2) Securities Portfolio

Based on the BNM/GP8 guidelines, securities held are classified based on the following categories:

(i) Securities held-for-trading

Securities held-for-trading are securities acquired or incurred principally for the purpose of selling or repurchasing in the near term or is part of a portfolio of identified securities that are managed together and for which there is evidence of recent actual pattern of short-term profit-taking. Derivatives are also classified as held-for-trading unless they are designated as hedges.

Securities held-for-trading are stated at fair value at initial recognition. Any gain or loss arising from a change in fair value or arising from derecognition of such securities is recognised in the income statement.

Interest calculated using the effective interest method is recognised in the income statement.

(ii) Securities held-to-maturity

Securities held-to-maturity are securities with fixed or determinable payments and fixed maturities that the Group has the positive intent and ability to hold to maturity. Securities held-to-maturity are initially stated at fair value and subsequently are measured at amortised cost using the effective interest method. Any gain or loss is recognised in the income statement when the securities are derecognised or impaired and through the amortisation process.

If more than an insignificant amount of the securities held-to-maturity portfolio was sold or reclassified before maturity (other than under those conditions specified in BNM/GP8) during the current financial year or the last two preceding financial years, the entire category would be tainted and reclassified as securities AFS at fair value. The difference between the carrying value and fair value of the securities at the date of reclassification is recognised directly in equity.

(iii) Securities AFS

Securities available-for-sale are securities that are not classified as securities held-for-trading or securities held-to-maturity. These securities are initially stated at fair value except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured will be stated at cost.

Any gain or loss arising from a change in fair value is recognised directly in equity through the statement of changes in equity except for impairment loss and foreign exchange gains or losses. When securities AFS are derecognised, the cumulative gains or loss previously recognised in equity shall be transferred to the income statement.

Interest calculated using the effective interest method is recognised in the income statement.

(3) Derivatives

Derivatives are measured at fair value and any gain or loss arising from a change in the fair value of derivatives is recognised in the income statement unless it is part of a hedging relationship. Previously, derivatives were not recognised in the financial statements of the Group.

The change in accounting policies, which was applied prospectively with effect from January 2007 has resulted in a decrease in profit before taxation of RM68,000. There is no impact on the financial statements for the prior financial year.

HWANG-DBS (MALAYSIA) BERHAD
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Notes to interim financial report for the fourth quarter and financial year ended 31 July 2007

A1. Basis of Preparation (cont'd)

(g) BNM/GP3

The investment banking subsidiary has adopted BNM/GP3 guidelines in respect of classification of non-performing accounts, loan loss provisioning and interest income recognition with effect from the date of completion of its transformation into an investment bank on 25 January 2007.

The allowances for bad and doubtful debts of the moneylending subsidiary follow the general guidelines as set out in BNM/GP3 in so far as it relates to the parameters for periods of default and provisioning rates. In addition, where there are indications of deteriorating financial conditions of the borrowers, a loan account may be classified as non-performing and allowance for bad and doubtful debts will be made at management's discretion. Previously, the allowances were made based on management's assessment of recoverability of loans. The total allowances for bad and doubtful debts made by the moneylending subsidiary amounted to RM3,428,000 for the financial year ended 31 July 2007.

When loans and advances granted by the Group become non-performing, interest accrued and recognised as income prior to the date the loans are classified as non-performing are reversed out of interest income in the income statement and taken to interest-in-suspense for set off against the accrued interest receivable account or interest-in-suspense in the balance sheet. Subsequent to suspension, interest earned on the non-performing accounts is recognised on a cash basis.

(h) Effects of Changes in Accounting Policies

The effects of changes in accounting policies as mentioned above on the opening reserves and financial results are as follows:

	Retained profits		AFS reserve	
	31-Jul-06	31-Jul-05	31-Jul-06	31-Jul-05
	RM'000	RM'000	RM'000	RM'000
	Dr./ (Cr.)	Dr./ (Cr.)	Dr./ (Cr.)	Dr./ (Cr.)
As at 1 August:				
As previously reported	(386,250)	(361,425)	-	-
Effects of adopting fair value accounting - securities AFS	-	-	(488)	1,434
Effects of transfer of previously recognised net unrealised loss on revaluation of securities AFS to equity	(2,299)	(1,347)	2,299	1,347
Effects of adoption of FRSs	402	24	-	-
	(1,897)	(1,323)	1,811	2,781
As restated	<u>(388,147)</u>	<u>(362,748)</u>	<u>1,811</u>	<u>2,781</u>
				12 months ended 31-Jul-06 RM'000 Dr./ (Cr.)
Profit for the financial year before changes in accounting policies				(40,503)
Effects of transfer of previously recognised net gain on securities AFS to equity				(952)
Effects of adoption of FRSs				396
				<u>(556)</u>
Profit for the financial year after changes in accounting policies				<u>(41,059)</u>

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A1. Basis of Preparation (cont'd)

(i) Comparative figures

The following comparative amounts have been restated following the adoption of the applicable FRSs and the guidelines set out in BNM/GP8, as detailed above as well as to conform with current financial year's presentation:

Group	As previously reported RM'000	Effects of changes in accounting policies		Reclassifications RM'000	As restated RM'000
		FRSs RM'000	BNM/GP8 RM'000		
Consolidated balance sheet as at 31 July 2006					
Cash and short term funds	-	-	-	417,430	417,430
Securities held-for-trading	-	-	12,857	-	12,857
Securities AFS	-	-	90,476	-	90,476
Loans and advances	-	-	-	63,247	63,247
Clients' and brokers' balances (Dr.)*	426,641	-	-	(55,855)	370,786
Other assets	-	-	-	29,901	29,901
Tax recoverable	-	-	371	12,886	13,257
Property, plant & equipment	73,297	(6,285)	-	-	67,012
Interests in jointly controlled entities	1,038	(392)	-	-	646
Investment properties	15,477	6,257	-	-	21,734
Non-current investments and					
Clearing Fund	56,198	-	(52,367)	(3,831)	-
Goodwill/Intangible assets	110,101	18	-	-	110,119
Funds under management	20,802	-	(17,053)	(3,749)	-
Short term investments	34,158	-	(34,158)	-	-
Trade and other receivables	101,600	-	-	(101,600)	-
Deposits, cash and bank balances	414,284	-	-	(414,284)	-
Clients' and brokers' balances (Cr.)*	(257,695)	-	-	55,855	(201,840)
Trade and other payables	(169,373)	-	-	169,373	-
Other liabilities	-	-	-	(169,373)	(169,373)
Deferred tax liabilities	(1,097)	-	362	-	(735)
Reserves	(418,264)	402	(488)	-	(418,350)
	<u>407,167</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>407,167</u>

* The reclassifications are in respect of clients' and brokers' balances, which are shown on a net basis when there is a legal right of set off as expressly agreed by the counterparties.

Consolidated income statement for the financial year ended 31 July 2006

Interest income	-	-	-	(27,430)	(27,430)
Interest expense	-	-	-	2,446	2,446
Operating revenue	(146,904)	-	-	146,904	-
Other operating income	(34,495)	-	(1,175)	(116,551)	(152,221)
Other operating expenses	135,030	4	-	4,640	139,674
Finance costs	2,699	-	-	(2,699)	-
Allowance for losses on loans and advances	-	-	-	321	321
Write back of allowance for bad and doubtful debts on clients' and brokers' balances and trade receivables	-	-	-	(7,631)	(7,631)
Share of results of jointly controlled entities	(65)	392	-	19	346
Profit before taxation	(43,735)	396	(1,175)	19	(44,495)
Taxation	3,232	-	223	(19)	3,436
Profit for the financial year	<u>(40,503)</u>	<u>396</u>	<u>(952)</u>	<u>-</u>	<u>(41,059)</u>

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A2. Auditors' Report

The auditors' report of the most recent annual financial statements of the Group for the financial year ended 31 July 2006 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 year ended 31 July 2007 except for the recognition of an impairment loss of RM3.39 million in respect of an investment property held by a subsidiary, HDM Properties Sdn Bhd, as disclosed in the consolidated income statement and explanatory note B7(b).

A5. Changes in Estimates

There are no material changes in accounting estimates used in the preparation of the interim financial report for the current quarter and financial year ended 31 July 2007 as compared with the prior financial year except for the following:

- (i) adoption of general guidelines of BNM/GP3 on loan loss provisioning as stated in explanatory note A1(g) above; and
- (ii) revision of annual principal rates of depreciation of property, plant and equipment with effect from 1 August 2006 as follows:

Category	Current	Previous
	%	%
Computer equipment	20% - 33 1/3%	20%
Office equipment	20%	10%
Furniture, fixtures & fittings	10% - 20%	10%
Renovations	10% - 20%	10%

The effect of the revision in the annual principal rates of depreciation, which is accounted for as changes in accounting estimates, is an increase in depreciation charge and a reduction in profit before taxation of the Group by RM297,000 and RM4,837,000 for the current quarter and financial year ended 31 July 2007 respectively.

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A6. Debts and Equity Securities

There are no issuance, cancellations, repurchase, resale and repayments of debt and equity securities for the financial year ended 31 July 2007 except for the following:

- (a) The Company has issued 1,394,000 ordinary shares of RM1 each for cash at the respective option prices pursuant to the Company's Executive Share Option Scheme ("ESOS"). The cash proceeds arising from the exercise of options during the financial year ended 31 July 2007 amounted to RM2,264,000. Details of the options exercised are as follows:

Option Price RM	Number of Options Exercised
1.90	174,000
1.54	464,000
1.32	605,000
1.52	18,000
2.29	133,000
	<u><u>1,394,000</u></u>

- (b) The Company has purchased back 635,100 ordinary shares of RM1 each for cash from the open market at an average price of RM1.57 per share. The share buy-back transactions were financed by internally generated funds. The shares purchased are being held as treasury shares. Details of the share buy-back are as follows:

Month	Number of Shares Purchased	Highest Price RM	Lower Price RM	Average Price RM	Total Amount RM
August 2006	485,500	1.55	1.53	1.55	751,954
September 2006	6,000	1.48	1.48	1.49	8,946
October 2006	110,500	1.59	1.47	1.50	166,184
December 2006	5,000	2.20	2.20	2.22	11,081
January 2007	28,100	2.15	2.15	2.17	60,863
	<u><u>635,100</u></u>				<u><u>999,028</u></u>

The average price includes stamp duty, brokerage and clearing fees.

A7. Dividends

A final dividend of 5.0 sen gross per ordinary share, less income tax at 28%, amounting to RM9,140,184 in respect of the previous financial year ended 31 July 2006 was paid on 27 December 2006.

An interim dividend of 5.0 sen gross per ordinary share, less current income tax at 27%, amounting to RM9,293,663 in respect of the current financial year ended 31 July 2007 was paid on 18 May 2007. (Previous financial year ended 31 July 2006: Interim dividend of 2.5 sen per ordinary share, less income tax at 28%).

The directors now recommend the payment of a final dividend in respect of the financial year ended 31 July 2007 of 5.0 sen gross per ordinary share, less current income tax at 27%, amounting to RM9,303,737 based on the issued and paid-up share capital of the Company as at 31 July 2007, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company. This proposed dividend will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 July 2008 when approved by the shareholders. It was proposed in the 2007 Budget that the corporate income tax rate be reduced to 26% with effect from year of assessment 2008 but the proposed reduction has yet to be gazetted.

Total dividends for the financial year ended 31 July 2007 amounted to 10.0 sen gross per ordinary share, less current income tax at 27%. (Previous financial year ended 31 July 2006: 7.5 sen gross per ordinary share, less income tax at 28%)

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A8. Securities Held-For-Trading

	As at 31-Jul-07 RM'000	As at 31-Jul-06 RM'000
Group		
At fair value		
Quoted securities:		
In Malaysia		
Shares and warrants	5,604	9,949
Loan stocks	1,950	2,368
Unit trusts	4,995	540
Total securities held-for-trading	12,549	12,857

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

	As at 31-Jul-07 RM'000	As at 31-Jul-06 RM'000
Group		
At fair value		
Money market instruments:		
Malaysian Government Securities	10,105	-
Malaysian Government Treasury Bills	29,883	-
Bankers' acceptances	63,008	-
Quoted securities:		
In Malaysia		
Shares and warrants *	29,850	20,276
Unit trusts	10,054	21,300
Unquoted securities:		
In Malaysia		
Bonds	-	48,410
At cost		
Unquoted securities:		
In Malaysia		
Shares	4,490	4,490
	147,390	94,476
Accumulated impairment losses	(4,000)	(4,000)
Total securities available-for-sale	143,390	90,476

* Included in the Shares and warrants are securities held under Funds under management placed by the Company with a subsidiary, HWANGDBS Investment Management Berhad (formerly known as Hwang-DBS Investment Management Berhad), which is given the discretionary powers within certain guidelines to invest the funds amounting to RM27.9 million as at 31 July 2007 (As at 31 July 2006: RM19.5 million).

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A10. Loans and Advances

	As at 31-Jul-07 RM'000	As at 31-Jul-06 RM'000
<u>Group</u>		
(a) By Type		
Term loans		
- bridging loan	10,052	-
- other term loans	85,576	66,876
	95,628	66,876
Unearned interest	(12,626)	-
	83,002	66,876
Allowance for losses on loans and advances:		
- general	(1,154)	-
- specific	(6,055)	(3,629)
Net loans and advances	75,793	63,247
(b) By Type of Customer		
Domestic business enterprise		
- others	45,079	36,559
Individuals	24,078	30,317
Other domestic entities	13,845	-
	83,002	66,876
(c) By Interest Rate Sensitivity		
Fixed rate		
- other fixed rate loan	72,950	66,876
Variable rate		
- cost-plus	10,052	-
	83,002	66,876
(d) By Sector		
Loans and advances analysed by economic purposes are as follows:		
Purchase of securities	36,631	41,985
Working capital	16,588	7,392
Personal use	29,783	17,499
	83,002	66,876

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Notes to interim financial report for the fourth quarter and financial year ended 31 July 2007

A10. Loans and Advances (cont'd)

	As at 31-Jul-07 RM'000	As at 31-Jul-06 RM'000
Group		
(e) Non-performing Loans and Advances ("NPLs") by Purpose		
Purchase of securities	14,900	13,932
Working capital	959	1,461
	15,859	15,393
(f) Movements in NPLs		
At beginning of the financial year	15,393	20,205
Classified as non-performing during the financial year	32,991	345
Reclassified as performing during the financial year	(31,431)	(31)
Amount recovered	(1,094)	(5,126)
At end of the financial year	15,859	15,393
Less: Specific allowance	(6,055)	(3,629)
Net NPLs	9,804	11,764
Net NPLs as a % of gross loans and advances less specific allowance	12.7%	18.6%
(g) Movements in Allowance for Losses on Loans and Advances		
<u>General Allowance</u>		
At beginning of the financial year	-	-
Allowance made during the financial year	1,154	-
At end of the financial year	1,154	-
As a % of gross loans and advances less specific allowance	1.5%	-
<u>Specific Allowance</u>		
At beginning of the financial year	3,629	3,308
Allowance made during the financial year	2,634	911
Amount recovered	(31)	-
Amount written back	(177)	(590)
At end of the financial year	6,055	3,629

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A11. Clients and Brokers balances

	As at 31-Jul-07 RM'000	As at 31-Jul-06 RM'000
<u>Group</u>		
Clients' and brokers' balances	<u>920,829</u>	<u>370,786</u>
 Movements in Allowance for Bad and Doubtful Debts on Clients' Balances		
<u>General Allowance</u>		
At beginning of the financial year	1,587	1,945
Allowance made / (written back)	650	(358)
At end of the financial year	<u>2,237</u>	<u>1,587</u>
 <u>Specific Allowance</u>		
At beginning of the financial year	35,597	44,823
Allowance made during the financial year	835	1,438
Amount written off	(13,651)	(1,736)
Amount written back	(4,697)	(8,928)
At end of the financial year	<u>18,084</u>	<u>35,597</u>

A12. Other Assets

	As at 31-Jul-07 RM'000	As at 31-Jul-06 RM'000
<u>Group</u>		
Trade receivables, net of allowance for bad and doubtful debts of RM243,000 (2006: RM240,000)	9,715	4,867
Interest receivable	434	52
Statutory deposit	150	150
Clearing Guarantee Fund	1,816	-
Clearing Fund	1,000	1,000
Other receivables, deposits and prepayments	9,841	21,001
Other investments	2,806	2,831
	<u>25,762</u>	<u>29,901</u>

A13. Deposits from Customers

	As at 31-Jul-07 RM'000	As at 31-Jul-06 RM'000
<u>Group</u>		
(a) By Type of Deposit		
Fixed deposits	<u>88,605</u>	<u>-</u>
(b) By Type of Customer		
Business enterprises	87,597	-
Individuals	503	-
Others	505	-
	<u>88,605</u>	<u>-</u>

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Notes to interim financial report for the fourth quarter and financial year ended 31 July 2007

A14. Deposits and Placements of Banks and Other Financial Institutions

	As at 31-Jul-07 RM'000	As at 31-Jul-06 RM'000
<u>Group</u>		
Licensed banks	14,300	-
Licensed investment banks	20,000	-
Other financial institutions	140,202	-
	<u>174,502</u>	<u>-</u>

A15. Other Liabilities

	As at 31-Jul-07 RM'000	As at 31-Jul-06 RM'000
<u>Group</u>		
Trade payables	32,362	15,629
Clients' trust accounts	150,654	61,599
Dealer's representatives' trust accounts	56,595	58,285
Amounts payable to dealer's representatives	14,853	4,971
Contributions payable to a defined contribution plan	858	772
Interest payable	1,875	657
Other payables and accruals	56,258	27,460
	<u>313,455</u>	<u>169,373</u>

A16. Borrowings

(a) Borrowings of the Group as at 31 July 2007 are unsecured. RM150 million revolving credit line is covered by a standby letter of credit issued by a deemed substantial shareholder of the Company, DBS Bank Ltd. and the balance of short term borrowings amounting to RM18 million is covered by corporate guarantee issued by the Company for a subsidiary.

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

	As at 31-Jul-07 RM'000	As at 31-Jul-06 RM'000
<u>Group</u>		
Short term borrowings		
Revolving credits	168,000	150,000
Long term borrowings		
	-	-
Total borrowings	<u>168,000</u>	<u>150,000</u>

(c) All borrowings are denominated in Ringgit Malaysia.

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A17. Interest Income

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months	3 months	12 months	12 months
	ended	ended	ended	ended
	31-Jul-07	31-Jul-06	31-Jul-07	31-Jul-06
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Loans and advances				
- Interest income other than recoveries from NPLs	1,095	1,305	4,694	6,981
- Recoveries from NPLs	387	372	2,887	857
Money at call and deposit placements with financial institutions	2,783	1,129	6,748	2,588
Securities held-for-trading	-	175	174	175
Securities AFS	928	657	2,690	2,601
Securities held-to-maturity	-	-	95	-
Margin receivables	4,501	3,688	15,779	16,271
Others	545	188	1,973	928
	<u>10,239</u>	<u>7,514</u>	<u>35,040</u>	<u>30,401</u>
Amortisation of premium less accretion of discount	(2)	(42)	(105)	(161)
Interest suspended	(493)	(591)	(3,123)	(2,810)
Total interest income net of interest suspended	<u>9,744</u>	<u>6,881</u>	<u>31,812</u>	<u>27,430</u>

A18. Interest Expense

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months	3 months	12 months	12 months
	ended	ended	ended	ended
	31-Jul-07	31-Jul-06	31-Jul-07	31-Jul-06
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Deposits and placements of banks and other financial institutions	(1,610)	-	(2,331)	-
Deposits from customers	(324)	-	(641)	-
Obligations on securities sold under repurchase agreements	(34)	-	(90)	-
Borrowings	(1,725)	(966)	(7,214)	(2,055)
Others	(786)	(56)	(1,474)	(391)
Total interest expense	<u>(4,479)</u>	<u>(1,022)</u>	<u>(11,750)</u>	<u>(2,446)</u>

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A19. Other Operating Income

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jul-07 RM'000	3 months ended 31-Jul-06 RM'000	12 months ended 31-Jul-07 RM'000	12 months ended 31-Jul-06 RM'000
<u>Group</u>				
(a) Fee and commission income:				
Brokerage	50,868	28,014	181,889	83,782
Unit trust management and incentive fees	10,041	4,955	32,340	18,662
Advisory fees	1,307	1,996	4,485	5,479
Underwriting commission and placement income	290	382	442	1,031
Service charges and fees	491	313	1,311	1,380
Other fees	907	1,051	3,192	3,734
	<u>63,904</u>	<u>36,711</u>	<u>223,659</u>	<u>114,068</u>
(b) Net gain/(loss) arising from sale of securities:				
- held-for-trading	5,182	1,891	16,511	5,545
- AFS	2,730	59	7,130	(1,267)
	<u>7,912</u>	<u>1,950</u>	<u>23,641</u>	<u>4,278</u>
(c) Net unrealised gain/(loss) on revaluation of:				
- securities held-for-trading	(1,603)	(644)	4,662	3,028
- derivatives	(68)	-	(68)	-
	<u>(1,671)</u>	<u>(644)</u>	<u>4,594</u>	<u>3,028</u>
(d) Gross dividends from securities:				
- held-for-trading	9	55	543	254
- AFS	340	798	2,074	2,700
	<u>349</u>	<u>853</u>	<u>2,617</u>	<u>2,954</u>
(e) Other income:				
Initial service charge	28,997	14,510	81,587	24,003
Net foreign exchange gain:				
- realised	443	413	1,514	1,095
- unrealised	12	6	12	6
Rental Income	182	216	824	866
Others	579	682	1,765	1,923
	<u>30,213</u>	<u>15,827</u>	<u>85,702</u>	<u>27,893</u>
Total other operating income	<u>100,707</u>	<u>54,697</u>	<u>340,213</u>	<u>152,221</u>

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A20. Other Operating Expenses

<u>Group</u>	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jul-07 RM'000	3 months ended 31-Jul-06 RM'000	12 months ended 31-Jul-07 RM'000	12 months ended 31-Jul-06 RM'000
Personnel costs:				
- Salaries, allowances and bonus	(14,941)	(9,401)	(55,434)	(33,895)
- Contributions to a defined contribution plan	(1,734)	(1,022)	(7,157)	(3,837)
- Others	(5,479)	(6,867)	(21,564)	(14,998)
	<u>(22,154)</u>	<u>(17,290)</u>	<u>(84,155)</u>	<u>(52,730)</u>
Establishment related costs:				
- Depreciation	(2,448)	(1,826)	(12,991)	(7,422)
- Rental of premises	(877)	(683)	(3,127)	(2,602)
- Rental of equipment	(511)	(612)	(2,826)	(2,611)
- Repairs and maintenance of premises and equipment	(299)	(243)	(1,104)	(881)
- Information technology expenses	(429)	(328)	(1,562)	(1,227)
- Others	(1,029)	(959)	(3,792)	(3,576)
	<u>(5,593)</u>	<u>(4,651)</u>	<u>(25,402)</u>	<u>(18,319)</u>
Promotion and marketing related expenses:				
- Promotion and business development	(4,601)	(1,740)	(13,240)	(5,377)
- Travelling and accommodation	(204)	(127)	(787)	(451)
- Others	(1,583)	(1,305)	(6,802)	(5,035)
	<u>(6,388)</u>	<u>(3,172)</u>	<u>(20,829)</u>	<u>(10,863)</u>
Administrative and general expenses:				
- Professional and consultancy fees	(726)	(881)	(2,790)	(2,843)
- Communication expenses	(1,429)	(904)	(4,757)	(3,450)
- Incentives and commission	(30,290)	(15,595)	(86,373)	(29,101)
- Regulatory charges	(3,120)	(1,441)	(10,259)	(4,602)
- Commission on standby letters of credit	(262)	(99)	(1,050)	(254)
- Amortisation of goodwill	-	(3,279)	-	(13,115)
- Others	(2,703)	(128)	(8,288)	(4,397)
	<u>(38,530)</u>	<u>(22,327)</u>	<u>(113,517)</u>	<u>(57,762)</u>
Total other operating expenses	<u>(72,665)</u>	<u>(47,440)</u>	<u>(243,903)</u>	<u>(139,674)</u>

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A21. Allowance for Losses on Loans and Advances

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jul-07 RM'000	3 months ended 31-Jul-06 RM'000	12 months ended 31-Jul-07 RM'000	12 months ended 31-Jul-06 RM'000
Group				
Allowance for bad and doubtful debts:				
Specific allowance				
- made during the financial year	(736)	(911)	(2,634)	(911)
- written back during the financial year	108	-	209	590
	<u>(628)</u>	<u>(911)</u>	<u>(2,425)</u>	<u>(321)</u>
General allowance				
- made during the financial year	(217)	-	(1,154)	-
	<u>(845)</u>	<u>(911)</u>	<u>(3,579)</u>	<u>(321)</u>

A22. Write back of Allowance for Bad and Doubtful Debts on Clients' Balances and Trade Receivables

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jul-07 RM'000	3 months ended 31-Jul-06 RM'000	12 months ended 31-Jul-07 RM'000	12 months ended 31-Jul-06 RM'000
Group				
Allowance for bad and doubtful debts:				
Specific allowance				
- made during the financial year	(194)	(1,466)	(1,004)	(1,602)
- written back during the financial year	552	1,572	4,697	8,979
	<u>358</u>	<u>106</u>	<u>3,693</u>	<u>7,377</u>
General allowance				
- (made)/written back during the financial year	11	89	(650)	358
Bad debts:				
- recovered	-	2	153	36
- written off	-	-	(280)	(140)
	<u>369</u>	<u>197</u>	<u>2,916</u>	<u>7,631</u>

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A23. Commitments and Contingencies

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

The risk-weighted exposures of the Group are as follows:

	As at 31-Jul-07			As at 31-Jul-06		
	Notional Amount RM'000	Credit Equivalent Amount* RM'000	Risk- weighted Amount RM'000	Notional Amount RM'000	Credit Equivalent Amount* RM'000	Risk- weighted Amount RM'000
Group						
Capital expenditure commitments and lease commitments:						
Capital expenditure commitments	19,860	-	-	15,476	-	-
Non-cancellable operating lease commitments	10,240	-	-	6,236	-	-
Balance of contribution to the Government of Malaysia for a merchant bank licence for the transformation of the investment banking subsidiary from a Universal Broker into an Investment Bank	-	-	-	42,500	-	-
Committed capital in DBS HDM Capital Sdn. Bhd. ("DHC") in accordance with the Subscription Agreements between the Company and DHC	23,766	-	-	24,208	-	-
	53,866	-	-	88,420	-	-
Other commitments:						
Obligations under underwriting agreement	-	-	-	1,120	560	560
Commitments to extend credits with maturity of less than 1 year:						
- margin	246,212	-	-	257,184	-	-
- term loan	10,000	-	-	-	-	-
Foreign exchange related contracts:						
- less than one year	17,149	3	1	20,309	2	-
	273,361	3	1	278,613	562	560

* The credit equivalent amount is arrived at using the credit conversion factors as specified by Bank Negara Malaysia.

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A26. Capital Adequacy

The Group is not required to maintain any capital adequacy ratio requirements except for the investment banking subsidiary, HWANGDBS Investment Bank Berhad ("HDBSIB"). The following disclosure of capital adequacy ratios is in respect of HDBSIB:

	As at 31-Jul-07 RM'000	As at 31-Jul-06 RM'000
The components of Tier I and Tier II capital are as follows:		
<u>Tier I capital</u>		
Issued and fully paid share capital	500,000	500,000
Retained profits	226,854	197,928
Statutory reserve	37,926	-
Options reserve	234	-
	765,014	697,928
Less: Deferred tax assets	(825)	-
Less: Goodwill	(110,002)	(110,002)
Total Tier I - Core capital	654,187	587,926
<u>Tier II capital</u>		
General allowance for bad and doubtful debts	2,388	1,587
Total Tier II capital	2,388	1,587
Total capital	656,575	589,513
Less: Investment in subsidiaries	(3,081)	(3,081)
Capital base	653,494	586,432
Core capital ratio	55.4%	84.8%
Risk-weighted capital ratio	55.4%	84.8%
Core capital ratio (net of proposed dividend)	52.3%	83.5%
Risk-weighted capital ratio (net of proposed dividend)	52.3%	83.5%

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A25. Interest Rate Risk

	Non-trading book						Sub-total RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000				
Group										
As at 31 July 2007										
Assets										
Cash and short term funds	468,895	-	-	-	-	123,824	592,719	-	592,719	3.29%
Deposit and placements with banks and other financial institutions	-	15,000	-	-	-	-	15,000	-	15,000	3.56%
Securities held-for-trading	-	-	-	-	-	-	-	12,549	12,549	-
Securities AFS	45,027	47,864	-	10,105	-	40,394	143,390	-	143,390	3.56%
Loans and advances:										
- performing	5,959	3,154	44,192	1,062	12,776	(151) *	66,992	-	66,992	7.62%
- non-performing	-	-	-	-	-	8,801	8,801	-	8,801	-
Clients' and brokers' balances	212,668	-	-	-	-	708,161	920,829	-	920,829	9.00%
Other assets ^	1,000	1,816	-	-	-	273,796	276,612	-	276,612	2.74%
Total assets	733,549	67,834	44,192	11,167	12,776	1,154,825	2,024,343	12,549	2,036,892	
Liabilities										
Deposits from customers	88,100	505	-	-	-	-	88,605	-	88,605	3.49%
Deposits and placements of banks and other financial institutions	97,090	52,432	24,980	-	-	-	174,502	-	174,502	3.54%
Clients' and brokers' balances	45,745	-	-	-	-	493,173	538,918	-	538,918	3.26%
Borrowings	18,000	-	150,000	-	-	-	168,000	-	168,000	4.09%
Other liabilities #	203,173	-	-	-	-	115,928	319,101	-	319,101	2.98%
Total liabilities	452,108	52,937	174,980	-	-	609,101	1,289,126	-	1,289,126	
Equity										
Total equity	-	-	-	-	-	747,766	747,766	-	747,766	-
Total equity and liabilities	452,108	52,937	174,980	-	-	1,356,867	2,036,892	-	2,036,892	
On-balance sheet interest sensitivity gap	281,441	14,897	(130,788)	11,167	12,776	(202,042)	(12,549)	12,549	-	
Total interest sensitivity gap	281,441	14,897	(130,788)	11,167	12,776	(202,042)	(12,549)	12,549	-	

^ Other assets include Other assets, Tax recoverable, Deferred tax assets, Interests in jointly controlled entities, Property, plant and equipment, Investment properties and Intangible assets as disclosed in the consolidated balance sheet.

Other liabilities include Other liabilities, Taxation and Deferred tax liabilities as disclosed in the consolidated balance sheet.

Loans and advances, Clients' and brokers' balances and Other assets are stated net of specific and general allowances and interest-in-suspense.

* The negative balance represents general allowance for loans and advances.

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A25. Interest Rate Risk (cont'd)

	Non-trading book						Sub-total RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000				
Group										
As at 31 July 2006										
Assets										
Cash and short term funds	354,447	-	-	-	-	62,983	417,430	-	417,430	2.98%
Securities held-for-trading	-	-	-	-	-	-	-	12,857	12,857	-
Securities AFS	-	-	-	-	48,409	42,067	90,476	-	90,476	5.13%
Loans and advances:										
- performing	6,926	7,144	35,553	-	-	-	49,623	-	49,623	8.80%
- non-performing	-	-	-	-	-	13,624	13,624	-	13,624	-
Clients' and brokers' balances	153,852	-	-	-	-	216,934	370,786	-	370,786	9.00%
Other assets [^]	1,000	-	-	-	-	241,669	242,669	-	242,669	1.70%
Total assets	516,225	7,144	35,553	-	48,409	577,277	1,184,608	12,857	1,197,465	
Liabilities										
Borrowings	-	-	150,000	-	-	-	150,000	-	150,000	4.57%
Clients' and brokers' balances	28,283	-	-	-	-	173,557	201,840	-	201,840	3.02%
Other liabilities [#]	119,942	-	-	-	-	50,228	170,170	-	170,170	2.38%
Total liabilities	148,225	-	150,000	-	-	223,785	522,010	-	522,010	
Equity										
Total equity	-	-	-	-	-	675,455	675,455	-	675,455	-
Total equity and liabilities	148,225	-	150,000	-	-	899,240	1,197,465	-	1,197,465	
On-balance sheet interest sensitivity gap	368,000	7,144	(114,447)	-	48,409	(321,963)	(12,857)	12,857	-	
Total interest sensitivity gap	368,000	7,144	(114,447)	-	48,409	(321,963)	(12,857)	12,857	-	

[^] Other assets include Other assets, Tax recoverable, Interests in jointly controlled entities, Property, plant and equipment, Investment properties and Intangible assets as disclosed in the consolidated balance sheet.

[#] Other liabilities include Other liabilities, Taxation and Deferred tax liabilities as disclosed in the consolidated balance sheet.

Loans and advances, Clients' and brokers' balances and Other assets are stated net of specific and general allowances and interest-in-suspense.

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A26. Segmental Information

The Group is organised into the following business segments:

- (i) Stockbroking and related activities - stockbroking, nominee services and dealing in options and futures
- (ii) Investment banking and financial services - investment banking activities, management of unit trust and corporate funds and investment advisory
- (iii) Property investment - letting of properties
- (iv) Investment holding - investment holding
- (v) Moneylending - moneylending and investment in listed and unlisted companies
- (vi) Others - include dormant operations, none of which is of a sufficient size to be reported separately

Primary reporting format - Business segment

Financial year ended 31 July 2007	Stockbroking and related activities RM'000	Investment banking and financial services RM'000	Property investment RM'000	Investment holding RM'000	Money- lending RM'000	Others RM'000	Consolidation Adjustments RM'000	Group RM'000
Revenue								
External revenue *	224,311	124,063	824	1,108	7,221	1,265	-	358,792
Inter-segment revenue ^	522	71	4,188	17,600	-	1,680	(24,061)	-
Total revenue	<u>224,833</u>	<u>124,134</u>	<u>5,012</u>	<u>18,708</u>	<u>7,221</u>	<u>2,945</u>	<u>(24,061)</u>	<u>358,792</u>
Results								
Segment results	116,154	2,302	207	40	(535)	(178)	(523)	117,467
Unallocated income								94
Unallocated expenses								<u>(5,242)</u>
								112,319
Share of results of jointly controlled entities, net of tax	-	(85)	-	(523)	-	-	-	<u>(608)</u>
Profit before taxation								111,711
Taxation								<u>(30,898)</u>
Profit for the financial year								<u>80,813</u>

* External revenue of the Group comprises all types of revenue derived from stockbroking, investment banking and financial services and moneylending activities, rental income from property investment, interest and dividend income from investment holding and reimbursement of research expenses.

^ Inter-segment transactions have been entered into in the normal course of business.

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A26. Segmental information (cont'd)

Primary reporting format - Business segment (cont'd)

Financial year ended 31 July 2006	Stockbroking and related activities RM'000	Financial services RM'000	Property investment RM'000	Investment holding RM'000	Money- lending RM'000	Others RM'000	Consolidation Adjustments RM'000	Group RM'000
Revenue								
External revenue *	107,441	53,246	867	1,005	9,544	1,103	-	173,206
Inter-segment revenue ^	-	54	4,291	150,653	-	1,309	(156,307)	-
Total revenue	<u>107,441</u>	<u>53,300</u>	<u>5,158</u>	<u>151,658</u>	<u>9,544</u>	<u>2,412</u>	<u>(156,307)</u>	<u>173,206</u>
Results								
Segment results	33,354	6,596	3,571	(2,753)	5,292	21	(285)	45,796
Unallocated income								265
Unallocated expenses								<u>(1,220)</u>
								44,841
Share of results of jointly controlled entities, net of tax	-	(346)	-	-	-	-	-	<u>(346)</u>
Profit before taxation								44,495
Taxation								<u>(3,436)</u>
Profit for the financial year								<u><u>41,059</u></u>

* External revenue of the Group comprises all types of revenue derived from stockbroking, financial services and moneylending activities, rental income from property investment, interest and dividend income from investment holding and reimbursement of research expenses.

^ Inter-segment transactions have been entered into in the normal course of business.

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A27. Valuation of Property, Plant and Equipment

Not applicable.

A28. Subsequent Events

There are no material events subsequent to the end of the financial year ended 31 July 2007 except that on 1 August 2007, a subsidiary, HDM Properties Sdn. Bhd. ("HDMP") has issued a Notice of Termination of the conditional Sale and Purchase Agreement ("SPA") dated 22 June 2007 entered into with a third party for disposal of a property for RM12,000,000 as disclosed in explanatory note B7(b), due to the purchaser's default in payment of rental and instalment for the month of July 2007 for the amount of RM20,000 and RM200,000 respectively. As a result of the default, HDMP exercised its rights to terminate the SPA and tenancy arrangement and to forfeit the deposit of RM2 million as liquidated damages. HDMP has also requested the purchaser to deliver vacant possession of the property within 1 month from the date of the notice. The purchaser's lawyer has contested the rights of HDMP to terminate the SPA.

Subsequently, upon request by the purchaser to settle the matter, the parties have entered into a Deed of Settlement, whereby the deposit of RM2,000,000 will be treated as forfeited and HDMP would transfer the property to the purchaser subject to payment of RM10,000,000 by the purchaser to HDMP as follows:

- (a) a sum of RM1,200,000 payable upon execution of the Deed of Settlement (of which RM200,000 has been received by HDMP as at the financial year end); and
- (b) the balance of RM8,800,000 payable by 30 November 2007.

In addition, the purchaser agreed to pay RM100,000 to HDMP, of which RM40,000 relates to the rental in arrears for the months of July and August 2007 and the balance of RM60,000 relates to the payment in advance of the rental in respect of the occupation of the property by the purchaser for the period from 1 September 2007 to 30 November 2007.

On 7 September 2007, an amount of RM1,100,000 has been received by HDMP upon the execution of the Deed of Settlement.

As at the date of issue of this announcement, the Deed of Settlement is still pending completion.

A29. Changes in the Composition of the Group

There are no changes in the composition of the Group for the current quarter and financial year ended 31 July 2007 except that on 25 January 2007, the wholly-owned stockbroking subsidiary company, Hwang-DBS Securities Berhad was granted a licence to carry on merchant banking business by the Minister of Finance II pursuant to Section 6(4) of the Banking and Financial Institutions Act, 1989 and changed its name to Hwang-DBS Investment Bank Berhad on the same day. The name was subsequently changed to HWANGDBS Investment Bank Berhad on 8 May 2007.

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A30. Changes in Contingent Liabilities or Contingent Assets

There are no contingent liabilities or contingent assets as at the end of the current quarter except for contingent liabilities arising from corporate guarantee granted by the Company to financial institutions of RM18 million, being the amount of banking facilities drawdown by a subsidiary for working capital purposes (As at 31 July 2006: RM NIL).

A31. Related Party Transactions

Approval for recurrent related party transactions, which had been entered into in the ordinary course of business, has been obtained in the shareholders' mandate at the general meeting of the Company in accordance with the Listing Requirements of Bursa Securities.

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

B1. Review of Performance of the Company and its Principal Subsidiaries

Operating revenue of the Group increased from RM173.21 million in the previous financial year to RM358.79 million in the financial year under review. In respect of the current quarter ended 31 July 2007, the Group registered an increase in operating revenue from RM60.6 million to RM106.6 million. The main revenue contributor is the stockbroking and related activities, accounting for 63% (2006: 62%) of the total operating revenue of the Group, followed by investment banking and financial services segment with 35% (2006: 31%) contribution to the Group's revenue. Contributions from other business segments accounted for the remaining 2% (2006: 7%) of the Group's revenue.

The Group turned in a remarkable performance with a 151% increase in profit before tax to RM111.7 million for the financial year ended 31 July 2007 as compared to RM44.5 million in the previous financial year. For the current quarter ended 31 July 2007, the Group recorded a 138% increase in profit before tax to RM29.3 million from RM12.3 million for the previous corresponding quarter. The significant increase in profit is spearheaded by the buoyant market sentiments during the financial year under review. The Group's investment banking subsidiary remains the key contributor accounting for 94% of the Group's pre-tax profit against 74% posted in the previous financial year. The increase in the Group's results is mainly attributed to the stockbroking division's improved performance, which moves in tandem with the significant increase in value traded in Bursa Malaysia Securities Berhad ("Bursa Securities"). The value traded in the Bursa Securities recorded an increase by 124% during the current financial year to a high of RM506.2 billion compared with RM225.6 billion in the previous financial year.

In addition, the successful launches of innovative unit trust funds as well as increase in the assets fund size to over RM6.2 billion during the financial year has resulted in higher contribution generated by the fund and asset management subsidiary.

The Group achieved a major milestone in the financial year 2007 following the transformation of its stockbroking subsidiary from a Universal Broker into an Investment Bank on 25 January 2007. The licence to carry out merchant banking business has opened up new business opportunities for the Group and it will continue to focus on diversifying its revenue base by building up its franchise in investment banking.

In line with the increase in pre-tax profit contribution, the Group registered a corresponding increase in profit after tax for the financial year ended 31 July 2007 to RM80.8 million compared to RM41.1 million in the previous financial year.

In the opinion of the Board of Directors, no item, transaction or event of a material and unusual nature has arisen which would affect substantially the results of the operations of the Group for the financial year from 31 July 2007 to the date of issue of this announcement.

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

The Group recorded a 31% reduction in profit before tax of RM29.3 million in the current financial quarter ended 31 July 2007 compared to RM42.6 million in the immediate preceding quarter. The decrease in the Group's pre-tax profit is in line with lower brokerage income generated by the stockbroking operations for the current financial quarter as a result of lower value traded in Bursa Securities. In addition, the Group recognised an impairment loss of RM3.39 million in respect of an investment property and made a contribution of RM1 million to a building fund in the current financial quarter. The effects of the decrease in pretax profit for the current quarter are partially offset by increase in contribution from the fund and management subsidiary.

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B3. Commentary

(a) Current Year's Prospects

The Malaysian economy is likely to register a stable growth in the financial year ending 31 July 2008 with GDP growth projected at 5.8% for year 2008. Liberalisation measures introduced by the Government to stimulate growth in the financial services and business sectors will have a long term positive effect. The upcoming Ninth Malaysia Plan project implementations also augurs well for the banking sector.

The Group expects the outlook for the Malaysian economy and domestic capital market to remain positive for the financial year ending 31 July 2008 despite the recent subprime mortgage financial crisis and credit crunch which have affected the global markets. This financial crisis poses challenges to the global economies. The strong Malaysian economic fundamentals will benefit the Group's operations especially for its investment banking, stockbroking and fund management activities. However, the operating environment for its investment bank subsidiary is expected to remain highly competitive given the increase in the number of market players.

For the coming financial year, the Group will continue to strengthen its capacity and capability in delivering a full chain of synergistic business in areas of investment banking, offering end-to-end financial solutions in the key areas of corporate finance and merger & acquisition ("M&A") advisory, structured finance, equity and debt capital markets, treasury services, placement and underwriting of equity and debt and stockbroking services. In addition, the Group will focus on generating income mix from its core trading, financing and investment activities, tapping on retail and institutional businesses. Contributions from the new investment banking activities to the Group's profitability are expected to grow in the medium to long term.

Despite the challenging operating environment, the Group's investment banking division expects to build its investment banking presence by leveraging on the established regional network of its partner, DBS Bank. The Group's stockbroking division will also continue to take steps to maintain its market leadership in the stockbroking industry.

Barring further deterioration of the current financial crisis and credit crunch, the asset and fund management subsidiary is expected to continue to make good progress with the current assets under management targeting to exceed RM7 billion in the coming year. The diversification of the moneylending activities to consumer financing operation is also expected to contribute to the Group's results.

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

Not applicable.

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

Not applicable.

B5. Profit Forecast and Profit Guarantee

Not applicable.

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B6. Taxation

The analysis of the tax expense for the current quarter and financial year ended 31 July 2007 are as follows:

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jul-07 RM'000	3 months ended 31-Jul-06 RM'000	12 months ended 31-Jul-07 RM'000	12 months ended 31-Jul-06 RM'000
Group				
In respect of the current financial year:-				
Malaysian income tax	(9,036)	(4,466)	(33,661)	(17,573)
Deferred tax	323	32	2,480	198
Real property gains tax	-	(50)	-	(50)
	<u>(8,713)</u>	<u>(4,484)</u>	<u>(31,181)</u>	<u>(17,425)</u>
In respect of prior financial years:-				
Malaysian income tax	(1)	-	286	486
Deferred tax	2	98	2	98
Tax credit	-	13,405	-	13,405
Real property gains tax	-	-	(5)	-
	<u>(8,712)</u>	<u>9,019</u>	<u>(30,898)</u>	<u>(3,436)</u>

The effective tax rates for the current quarter and financial year ended 31 July 2007 are higher than the statutory tax rate due to certain expenses which are not deductible for tax purposes, offset by effects of certain income, mainly capital gains which are not subject to tax.

The Technical Division of the IRB has yet to approve and confirm the amount of tax credit in connection with the acquisition of the business of Taiping Securities Sdn. Bhd. (Special Administrators Appointed), now known as Taiping Recovery Sdn. Bhd. (In Liquidation) by HDBSIB in a prior financial year. The effect of the resultant tax credit has yet to be utilised and recognised in the financial statements.

B7. Sale of Unquoted Investments and/or Properties

There are no disposal of unquoted investments and properties for the current quarter and financial year ended 31 July 2007 except for the following:

- (a) a Sale and Purchase Agreement entered into by a subsidiary, HDM Properties Sdn. Bhd. ("HDMP") with a third party on 10 November 2006 for the disposal of an office premise for RM3,960,000. The sale was completed on 9 February 2007 and the gain on disposal of the said property amounted to RM484,000.
- (b) On 22 June 2007, HDMP entered into a conditional Sale and Purchase Agreement ("SPA") with a third party for disposal of a property for RM12,000,000, which is payable over a 3-year period with a forfeitable deposit payment of RM2,000,000, followed by 36 equal monthly instalments of RM200,000 each and a final instalment of RM2,800,000. The property is also rented to the purchaser at a monthly rental of RM20,000 until completion of the SPA. The SPA can be terminated by HDMP in the event of default by the purchaser in any of the monthly instalment and/or monthly rental. The deposit and instalment payment totalling RM2,200,000 were received from the purchaser during the financial year. Based on the sale consideration of the property, which represented the fair value less costs to sell, the Group recognised an impairment loss of RM3,390,000 as at the balance sheet date.

Subsequent to the financial year end, HDMP has issued a Notice of Termination of the above conditional SPA, which includes the tenancy arrangement for the property, as a result of default in payment of the rental and instalment due by the purchaser. The purchaser's lawyer has contested the rights of HDMP to terminate the SPA. Upon subsequent request by the purchaser to settle the matter, the parties have entered into a Deed of Settlement, whereby the deposit of RM2,000,000 will be treated as forfeited and HDMP would transfer the property to the purchaser subject to the terms of payment and conditions as set out in the Deed of Settlement (refer to explanatory note A28).

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B8. Purchase and Sales of Quoted Securities

- (a) Total purchases and disposals of quoted securities by the Group other than the investment banking subsidiary company, HDBSIB and the profit arising therefrom are as follows:

	Current quarter ended 31-Jul-07 RM'000	Financial year ended 31-Jul-07 RM'000
(i) Total Purchase Consideration	<u>7,422</u>	<u>35,141</u>
(ii) Total Sales Proceeds	<u>6,526</u>	<u>37,760</u>
(iii) Total Profit on Disposal	<u>2,255</u>	<u>6,054</u>

- (b) Total investments in quoted securities held by the Group other than HDBSIB as at 31 July 2007 are as follows:

	RM'000
(i) At Cost	<u>24,481</u>
(ii) At Book Value	<u>29,868</u>
(iii) At Market Value	<u>29,868</u>

B9. Status of Corporate Proposals

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

B10. Group Borrowings and Debt Securities

Please refer to explanatory note A16.

HWANG-DBS (MALAYSIA) BERHAD
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Notes to interim financial report for the fourth quarter and financial year ended 31 July 2007

B11. Off-Balance Sheet Financial Instruments

The value of financial instruments with off-balance sheet risk as at the balance sheet date classified by the remaining periods to maturity are as follows:

Group

Item	Principal amount RM'000	1 month or less RM'000
Foreign exchange related contracts: - forward contracts	17,149	17,149

Credit risk

Credit risk or counterparty risk is the exposure to loss due to counterparty's default on credit obligations. As the foreign exchange related contracts are executed by the Group with reputable local financial institutions, there is remote credit risk arising from those contracts. As at the balance sheet date, the amount of credit risk to the Group, measured in terms of the cost to replace profitable contracts is insignificant. 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 prices of financial instruments in the markets in which the Group operates. The contractual amount of foreign exchange related contracts only provides a measure of the Group's involvement in these types of financial instruments and do not represent the amount subject to risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. The outstanding foreign exchange related contracts as at the balance sheet date are due for maturity within 1 to 2 days and as such, these contracts do not pose significant market risk to the Group.

Related accounting policies

Foreign exchange related contracts are measured at fair value and are carried as assets when the changes in fair value are positive and as liabilities when the changes in fair value are negative. Any gain/loss arising from changes in fair value of foreign exchange related contracts is recognised in the income statement in the period in which they arise unless it is part of a hedging relationship.

B12. Changes in Material Litigation

There are no changes to the status of material litigation since the last annual balance sheet date except for the following:

- (a) The claim filed by a client of HDBSIB in July 2002 against HDBSIB for damages of RM10 million for defamation which was fixed for trial on 6 November 2006 had been postponed by the court to 16 July 2007. The hearing date was subsequently vacated by the court and the court has yet to fix a new hearing date.
- (b) The claim filed by HDBSIB against one of its clients to recover an outstanding sum of RM8.99 million in July 2001 of which the said client has filed a counterclaim in August 2001 for damages to be assessed against HDBSIB alleging that a third party had wrongfully traded on his accounts and further alleging breach of fiduciary duty on HDBSIB's part is now fixed for trial on 10, 11 and 12 October 2007.
- (c) The claim filed by a client of HDBSIB in May 2000 against HDBSIB for damages of RM130 million wherein the client alleged collusion to defraud him and mental suffering after HDBSIB commenced legal action against him in May 1998 to recover outstanding sum of RM8.46million, which has been consolidated with HDBSIB's claim against the said client, has been fixed for trial on 27 and 28 November 2007.

B13. Dividends

Please refer to explanatory note A7.

HWANG-DBS (MALAYSIA) BERHAD
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Notes to interim financial report for the fourth quarter and financial year ended 31 July 2007

B14. Earnings Per Share Attributable to Equity Holders of the Company

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jul-07	3 months ended 31-Jul-06	12 months ended 31-Jul-07	12 months ended 31-Jul-06
Profit for the financial year attributable to equity holders of the Company (RM'000)	19,172	20,862	77,634	39,297
Weighted average number of ordinary shares in issue ('000)	254,793	254,524	254,182	257,486
Basic earnings per share (sen)	7.52	8.20	30.54	15.26
Profit for the financial year attributable to equity holders of the Company (RM'000)	19,172	20,862	77,634	39,297
Weighted average number of ordinary shares in issue ('000):				
- in issue during the financial year (as above)	254,793	254,524	254,182	257,486
- adjustment made for share options	715	219	525	61
	255,508	254,743	254,707	257,547
Diluted earnings per share (sen)	7.50	8.19	30.48	15.26

By Order of the Board

Chen Mun Peng
Tan Lee Peng
Company Secretaries

Penang
24 September 2007