

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED BALANCE SHEET AS AT 31 OCTOBER 2007**

	Note	As at 31-Oct-07 RM'000	As at 31-Jul-07 RM'000
<b>Assets</b>			
Cash and short term funds		600,516	592,719
Deposits and placements with banks and other financial institutions		80,000	15,000
Securities held-for-trading	A8	261,524	12,549
Securities available-for-sale ("AFS")	A9	535,066	143,390
Securities held-to-maturity	A10	84,945	-
Loans and advances	A11	186,313	75,793
Clients' and brokers' balances	A12	637,803	920,829
Other assets	A13	27,357	25,762
Statutory deposits with Bank Negara Malaysia		1,082	-
Tax recoverable		5,961	4,825
Deferred tax assets		2,224	1,051
Interests in jointly controlled entities		343	480
Property, plant and equipment		63,509	63,925
Investment properties		17,925	17,950
Intangible assets		162,619	162,619
<b>Total assets</b>		<b><u>2,667,187</u></b>	<b><u>2,036,892</u></b>
<b>Liabilities</b>			
Deposits from customers	A14	468,128	88,605
Deposits and placements of banks and other financial institutions	A15	540,284	174,502
Clients' and brokers' balances		373,210	538,918
Other liabilities	A16	317,385	313,455
Taxation		1,358	5,103
Deferred tax liabilities		546	543
Borrowings	A17	203,061	168,000
<b>Total liabilities</b>		<b><u>1,903,972</u></b>	<b><u>1,289,126</u></b>
<b>Equity</b>			
Share capital		265,800	265,559
Reserves		504,453	488,441
Treasury shares, at cost		(16,024)	(16,024)
		<u>754,229</u>	<u>737,976</u>
Minority interests		8,986	9,790
<b>Total equity</b>		<b><u>763,215</u></b>	<b><u>747,766</u></b>
<b>Total liabilities and equity</b>		<b><u>2,667,187</u></b>	<b><u>2,036,892</u></b>
<b>Net assets per share (RM)</b>		<b><u>2.96</u></b>	<b><u>2.90</u></b>

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2007.

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED INCOME STATEMENT**  
**FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2007**

	Note	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
		3 months ended 31-Oct-07 RM'000	3 months ended 31-Oct-06 RM'000	3 months ended 31-Oct-07 RM'000	3 months ended 31-Oct-06 RM'000
Operating revenue		84,403	43,822	84,403	43,822
Interest income	A18	12,949	6,751	12,949	6,751
Interest expense	A19	(6,810)	(1,786)	(6,810)	(1,786)
<b>Net interest income</b>		<b>6,139</b>	<b>4,965</b>	<b>6,139</b>	<b>4,965</b>
Other operating income	A20	70,294	40,394	70,294	40,394
		76,433	45,359	76,433	45,359
Other operating expenses	A21	(50,521)	(37,092)	(50,521)	(37,092)
		25,912	8,267	25,912	8,267
Allowance for losses on loans and advances	A22	(1,683)	-	(1,683)	-
Write back of allowance for bad and doubtful debts on clients' balances and trade receivables	A23	525	2,328	525	2,328
		24,754	10,595	24,754	10,595
Share of results of jointly controlled entities, net of tax		(136)	(142)	(136)	(142)
<b>Profit before taxation</b>		<b>24,618</b>	<b>10,453</b>	<b>24,618</b>	<b>10,453</b>
Taxation	B6	(5,241)	(2,934)	(5,241)	(2,934)
<b>Profit for the financial period</b>		<b>19,377</b>	<b>7,519</b>	<b>19,377</b>	<b>7,519</b>
<b>Attributable to:</b>					
Equity holders of the Company		18,466	7,059	18,466	7,059
Minority interests		911	460	911	460
		<b>19,377</b>	<b>7,519</b>	<b>19,377</b>	<b>7,519</b>
<b>Earnings per share attributable to equity holders of the Company (sen)</b>	B14				
- Basic		<b>7.24</b>	<b>2.78</b>	<b>7.24</b>	<b>2.78</b>
- Fully diluted		<b>7.23</b>	<b>2.78</b>	<b>7.23</b>	<b>2.78</b>

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2007.

**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 2007**

**Attributable to Equity Holders of the Company**

	<b>Issued and fully paid ordinary shares of RM1 each</b>		<b>Treasury shares RM'000</b>	<b>Share premium RM'000</b>	<b>Statutory reserve RM'000</b>	<b>AFS reserve RM'000</b>	<b>Options reserve RM'000</b>	<b>Retained profits RM'000</b>	<b>Total RM'000</b>	<b>Minority interests RM'000</b>	<b>Total equity RM'000</b>
	<b>Number of shares '000</b>	<b>Nominal value RM'000</b>									
At 1 August 2007	254,897	265,559	(16,024)	32,884	37,926	7,890	320	409,421	737,976	9,790	747,766
Net change in fair value of securities AFS, net of tax	-	-	-	-	-	(1,270)	-	-	(1,270)	-	(1,270)
Net gain transferred to income statement on disposal of securities AFS	-	-	-	-	-	(1,340)	-	-	(1,340)	-	(1,340)
Net loss recognised directly in equity	-	-	-	-	-	(2,610)	-	-	(2,610)	-	(2,610)
Profit for the financial period	-	-	-	-	-	-	-	18,466	18,466	911	19,377
Total recognised income and expenses for the financial period	-	-	-	-	-	(2,610)	-	18,466	15,856	911	16,767
Options exercised	241	241	-	179	-	-	(23)	-	397	-	397
Final dividend paid by a subsidiary to minority interests for the financial year ended 31 July 2007	-	-	-	-	-	-	-	-	-	(1,715)	(1,715)
<b>At 31 Oct 2007</b>	<b>255,138</b>	<b>265,800</b>	<b>(16,024)</b>	<b>33,063</b>	<b>37,926</b>	<b>5,280</b>	<b>297</b>	<b>427,887</b>	<b>754,229</b>	<b>8,986</b>	<b>763,215</b>

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2007.

**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 2007**

	<b>Attributable to Equity Holders of the Company</b>								
	<b>Issued and fully paid ordinary shares of RM1 each</b>								
	<b>Number of shares '000</b>	<b>Nominal value RM'000</b>	<b>Treasury shares RM'000</b>	<b>Share premium RM'000</b>	<b>AFS reserve RM'000</b>	<b>Retained profits RM'000</b>	<b>Total RM'000</b>	<b>Minority interests RM'000</b>	<b>Total equity RM'000</b>
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	-	-	-	-	1,211	-	1,211	-	1,211
Net gain transferred to income statement on disposal of securities AFS	-	-	-	-	(67)	-	(67)	-	(67)
Net gain recognised directly in equity	-	-	-	-	1,144	-	1,144	-	1,144
Profit for the financial period	-	-	-	-	-	7,059	7,059	460	7,519
Total recognised income and expenses for the financial period	-	-	-	-	1,144	7,059	8,203	460	8,663
Shares repurchased held as treasury shares at cost	(602)	-	(927)	-	-	-	(927)	-	(927)
Final dividend paid by a subsidiary to minority interests for the financial year ended 31 July 2006	-	-	-	-	-	-	-	(1,354)	(1,354)
<b>At 31 Oct 2006</b>	<b>253,536</b>	<b>264,165</b>	<b>(15,952)</b>	<b>32,014</b>	<b>(667)</b>	<b>395,206</b>	<b>674,766</b>	<b>7,071</b>	<b>681,837</b>

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2007.

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2007**

	<b>3 months ended 31-Oct-07 RM'000</b>	<b>3 months ended 31-Oct-06 RM'000</b>
Profit for the financial period	19,377	7,519
<b>Adjustments for:</b>		
Non-cash items	12,639	601
Non-operating items - investing	(5,560)	(2,027)
Non-operating items - financing	1,959	1,735
	28,415	7,828
<b>Changes in working capital:</b>		
Net changes in operating assets	(79,438)	(110,898)
Net changes in operating liabilities	563,343	109,559
	512,320	6,489
Interest paid	(5,034)	(50)
Tax paid	(11,097)	(892)
<b>Net operating cash flow</b>	<b>496,189</b>	<b>5,547</b>
<b>Investing activities</b>		
Net purchase of securities	(478,263)	(37,223)
Interest received from securities	3,223	643
Dividends received	1,227	246
Property, plant and equipment	(1,600)	(2,536)
<b>Net investing cash flow</b>	<b>(475,413)</b>	<b>(38,870)</b>
<b>Financing activities</b>		
Dividend paid by a subsidiary to minority interests	(1,715)	(1,354)
Interest paid	(903)	(8)
Net drawdown of borrowings	35,000	5,500
Issue of shares	397	-
Shares repurchased	-	(927)
<b>Net financing cash flow</b>	<b>32,779</b>	<b>3,211</b>
<b>Net change in cash and cash equivalents</b>	53,555	(30,112)
<b>Cash and cash equivalents at beginning of the financial period</b>	339,942	265,602
<b>Cash and cash equivalents at end of the financial period</b>	<b>393,497</b>	<b>235,490</b>
<b>Cash and cash equivalents at end of the financial period comprise:</b>		
Cash and short term funds	313,558	235,490
Deposit and placements with banks and other financial institutions	80,000	-
Bank overdrafts (Book)	(61)	-
	<b>393,497</b>	<b>235,490</b>

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2007.

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 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 2007.

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 2007 except for the adoption of the following revised Financial Reporting Standards ("FRSs") that are effective for the Group's financial year ending 31 July 2008:

<u>FRS</u>	<u>Description</u>
FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 117	Leases
FRS 118	Revenue
FRS 124	Related Party Disclosures
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

The adoption of abovestated FRSs does not have any significant financial impact on the financial statements of the Group.

**A2. Auditors' Report**

The auditors' report of the most recent annual financial statements of the Group for the financial year ended 31 July 2007 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 2007.

**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 2007 as compared with the prior financial period.

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2007**

**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 2007 except that the Company has issued 241,000 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 period ended 31 October 2007 amounted to RM396,840. Details of the options exercised are as follows:

<b>Option Price RM</b>	<b>Number of Options Exercised</b>
1.90	40,000
1.54	76,000
1.32	85,000
2.29	40,000
	<u><u>241,000</u></u>

**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 2008.

A final dividend of 5.0 sen gross per share, less current income tax at 27% proposed for the previous financial year ended 31 July 2007 has been approved by the shareholders of the Company at the Fifteenth Annual General Meeting held on 27 November 2007. The dividend will be paid on 27 December 2007 to depositors registered in the Record of Depositors at the close of business on 6 December 2007.

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2007**

**A8. Securities Held-For-Trading**

	<b>As at 31-Oct-07 RM'000</b>	<b>As at 31-Jul-07 RM'000</b>
<b>At fair value</b>		
Malaysian Government Securities	26,853	-
Government Investment Issues	9,965	-
Private and Islamic debt securities	197,229	-
	<u>234,047</u>	<u>-</u>
Quoted in Malaysia:		
Shares and warrants	22,954	5,604
Loan stocks	1,950	1,950
Unit trusts	2,573	4,995
	<u>261,524</u>	<u>12,549</u>

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

	<b>As at 31-Oct-07 RM'000</b>	<b>As at 31-Jul-07 RM'000</b>
<b>At fair value</b>		
Malaysian Government Securities	10,078	10,105
Malaysian Government Treasury Bills	-	29,883
Bankers' acceptances	193,392	63,008
Negotiable instruments of deposits	290,001	-
	<u>493,471</u>	<u>102,996</u>
Quoted in Malaysia:		
Shares and warrants *	31,322	29,850
Unit trusts	9,783	10,054
	<u>534,576</u>	<u>142,900</u>
<b>At cost</b>		
Unquoted:		
Shares	4,490	4,490
	<u>539,066</u>	<u>147,390</u>
Accumulated impairment losses	(4,000)	(4,000)
Total securities available-for-sale	<u>535,066</u>	<u>143,390</u>

\* 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 RM29.5 million as at 31 October 2007 (As at 31 July 2007: RM27.9 million).

**A10. Securities Held-To-Maturity**

	<b>As at 31-Oct-07 RM'000</b>	<b>As at 31-Jul-07 RM'000</b>
<b>At amortised cost</b>		
Bankers' acceptances	4,946	-
Negotiable instruments of deposits	79,999	-
	<u>84,945</u>	<u>-</u>



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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2007**

**A11. Loans and Advances**

	<b>As at 31-Oct-07 RM'000</b>	<b>As at 31-Jul-07 RM'000</b>
<b>(i) By Type</b>		
Term loans		
- bridging loan	10,053	10,052
- other term loans	<u>228,885</u>	<u>85,576</u>
	238,938	95,628
Unearned interest	<u>(43,733)</u>	<u>(12,626)</u>
	195,205	83,002
Allowance for losses on loans and advances:		
- general	(2,837)	(1,154)
- specific	<u>(6,055)</u>	<u>(6,055)</u>
Net loans and advances	<u><b>186,313</b></u>	<u><b>75,793</b></u>
<b>(ii) By Type of Customer</b>		
Domestic business enterprises		
- others	121,627	45,079
Individuals	25,158	24,078
Other domestic entities	<u>48,420</u>	<u>13,845</u>
	<u><b>195,205</b></u>	<u><b>83,002</b></u>
<b>(iii) By Interest Rate Sensitivity</b>		
Fixed rate		
- other fixed rate loans	107,994	72,950
Variable rate		
- cost-plus	<u>87,211</u>	<u>10,052</u>
	<u><b>195,205</b></u>	<u><b>83,002</b></u>
<b>(iv) By Purpose</b>		
Purchase of securities	114,565	36,631
Working capital	15,766	16,588
Personal use	<u>64,874</u>	<u>29,783</u>
	<u><b>195,205</b></u>	<u><b>83,002</b></u>
<b>(v) Non-performing Loans and Advances ("NPLs") by Purpose</b>		
Purchase of securities	14,900	14,900
Working capital	959	959
	<u><b>15,859</b></u>	<u><b>15,859</b></u>

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2007**

**A11. Loans and Advances (cont'd)**

	As at 31-Oct-07 RM'000	As at 31-Jul-07 RM'000
<b>(vi) Movements in NPLs</b>		
At beginning of the financial period	15,859	15,393
Non-performing during the financial period	-	32,991
Reclassified as performing during the financial period	-	(31,431)
Amount recovered	-	(1,094)
At end of the financial period	<u>15,859</u>	<u>15,859</u>
Less: Specific allowance	<u>(6,055)</u>	<u>(6,055)</u>
Net NPLs	<u><b>9,804</b></u>	<u><b>9,804</b></u>
 Net NPLs as a % of gross loans and advances less specific allowance	 <u><b>5.2%</b></u>	 <u><b>12.7%</b></u>
<b>(vii) Movements in Allowance for Losses on Loans and Advances</b>		
<u>General Allowance</u>		
At beginning of the financial period	1,154	-
Allowance made	1,683	1,154
At end of the financial period	<u><b>2,837</b></u>	<u><b>1,154</b></u>
 As a % of gross loans and advances less specific allowance	 <u><b>1.5%</b></u>	 <u><b>1.5%</b></u>
<u>Specific Allowance</u>		
At beginning of the financial period	6,055	3,629
Allowance made	-	2,634
Amount recovered	-	(31)
Amount written back	-	(177)
At end of the financial period	<u><b>6,055</b></u>	<u><b>6,055</b></u>

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2007**

**A12. Clients' and Brokers' Balances**

	<b>As at 31-Oct-07</b>	<b>As at 31-Jul-07</b>
Clients' and brokers' balances, net of allowance for bad and doubtful debts	<b>637,803</b>	<b>920,829</b>

**Movements in Allowance for Bad and Doubtful Debts on  
Clients' Balances**

General Allowance

At beginning of the financial period	2,237	1,587
Allowance (written back)/made	(181)	650
At end of the financial period	<b>2,056</b>	<b>2,237</b>

Specific Allowance

At beginning of the financial period	18,084	35,597
Allowance made	510	835
Amount written off	(4,235)	(13,651)
Amount written back	(845)	(4,697)
At end of the financial period	<b>13,514</b>	<b>18,084</b>

**A13. Other Assets**

	<b>As at 31-Oct-07 RM'000</b>	<b>As at 31-Jul-07 RM'000</b>
Trade receivables, net of allowance for doubtful debts of RM243,000 (2007: RM243,000)	6,336	9,715
Interest receivable	3,262	434
Derivative assets	6	3
Clearing Guarantee Fund	1,829	1,816
Clearing Fund	1,000	1,000
Other receivables, deposits and prepayments	12,118	9,988
Other investments	2,806	2,806
	<b>27,357</b>	<b>25,762</b>

**A14. Deposits from Customers**

	<b>As at 31-Oct-07 RM'000</b>	<b>As at 31-Jul-07 RM'000</b>
<b>Group</b>		
<b>(i) By Type of Deposit</b>		
Fixed deposits	<b>468,128</b>	<b>88,605</b>
<b>(ii) By Type of Customer</b>		
Government and statutory bodies	156,500	-
Business enterprises	310,117	87,597
Individuals	1,002	503
Others	509	505
	<b>468,128</b>	<b>88,605</b>

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2007**

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

	<b>As at 31-Oct-07 RM'000</b>	<b>As at 31-Jul-07 RM'000</b>
Licensed banks	33,355	14,300
Licensed investment banks	20,000	20,000
Other financial institutions	486,929	140,202
	<u><b>540,284</b></u>	<u><b>174,502</b></u>

**A16. Other Liabilities**

	<b>As at 31-Oct-07 RM'000</b>	<b>As at 31-Jul-07 RM'000</b>
Trade payables	35,011	32,362
Interest payable	2,829	1,875
Derivative liabilities	55	71
Other payables and accruals	279,490	279,147
	<u><b>317,385</b></u>	<u><b>313,455</b></u>

**A17. Borrowings**

(a) Borrowings of the Group as at 31 October 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 RM53 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:

	<b>As at 31-Oct-07 RM'000</b>	<b>As at 31-Jul-07 RM'000</b>
<b>Short term borrowings</b>		
Revolving credits	203,000	168,000
Bank overdrafts (Book)	61	-
	<u>203,061</u>	<u>168,000</u>
<b>Long term borrowings</b>	<u>-</u>	<u>-</u>
<b>Total borrowings</b>	<u><b>203,061</b></u>	<u><b>168,000</b></u>

(c) All borrowings are denominated in Ringgit Malaysia.

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2007**

**A18. Interest Income**

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Oct-07 RM'000	3 months ended 31-Oct-06 RM'000	3 months ended 31-Oct-07 RM'000	3 months ended 31-Oct-06 RM'000
Loans and advances				
- Interest income other than recoveries from NPLs	1,496	1,187	1,496	1,187
- Recoveries from NPLs	373	309	373	309
Money at call and deposit placements with financial institutions	2,770	1,927	2,770	1,927
Securities:				
- held-for-trading	1,399	-	1,399	-
- AFS	3,145	643	3,145	643
- held-to-maturity	78	-	78	-
Margin receivables	3,467	3,373	3,467	3,373
Others	492	249	492	249
	<u>13,220</u>	<u>7,688</u>	<u>13,220</u>	<u>7,688</u>
Amortisation of premium less accretion of discount	(59)	(42)	(59)	(42)
Interest suspended	(212)	(895)	(212)	(895)
	<u><b>12,949</b></u>	<u><b>6,751</b></u>	<u><b>12,949</b></u>	<u><b>6,751</b></u>

**A19. Interest Expense**

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Oct-07 RM'000	3 months ended 31-Oct-06 RM'000	3 months ended 31-Oct-07 RM'000	3 months ended 31-Oct-06 RM'000
Deposits and placements of banks and other financial institutions	(3,351)	-	(3,351)	-
Deposits from customers	(1,389)	-	(1,389)	-
Borrowings	(1,959)	(1,736)	(1,959)	(1,736)
Others	(111)	(50)	(111)	(50)
	<u><b>(6,810)</b></u>	<u><b>(1,786)</b></u>	<u><b>(6,810)</b></u>	<u><b>(1,786)</b></u>

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2007**

**A20. Other Operating Income**

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Oct-07 RM'000	3 months ended 31-Oct-06 RM'000	3 months ended 31-Oct-07 RM'000	3 months ended 31-Oct-06 RM'000
Fee and commission income:				
Brokerage	43,472	19,867	43,472	19,867
Unit trust management and incentive fees	9,647	5,410	9,647	5,410
Advisory fees	896	557	896	557
Underwriting commission and placement income	646	-	646	-
Service charges and fees	394	299	394	299
Other fees	1,728	774	1,728	774
	<u>56,783</u>	<u>26,907</u>	<u>56,783</u>	<u>26,907</u>
Net gain arising from sale of securities:				
- held-for-trading	4,069	1,502	4,069	1,502
- AFS	1,138	168	1,138	168
	<u>5,207</u>	<u>1,670</u>	<u>5,207</u>	<u>1,670</u>
Net unrealised gain/(loss) on revaluation of:				
- securities held-for-trading	(3,173)	1,441	(3,173)	1,441
- derivatives	207	-	207	-
	<u>(2,966)</u>	<u>1,441</u>	<u>(2,966)</u>	<u>1,441</u>
Gross dividends from securities:				
- held-for-trading	179	24	179	24
- AFS	1,170	1,326	1,170	1,326
	<u>1,349</u>	<u>1,350</u>	<u>1,349</u>	<u>1,350</u>
Other income:				
Initial service charge	8,730	8,144	8,730	8,144
Net foreign exchange gain:				
- realised	353	227	353	227
- unrealised	9	-	9	-
Rental Income	222	216	222	216
Others	607	439	607	439
	<u>9,921</u>	<u>9,026</u>	<u>9,921</u>	<u>9,026</u>
<b>Total</b>	<b><u>70,294</u></b>	<b><u>40,394</u></b>	<b><u>70,294</u></b>	<b><u>40,394</u></b>

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2007**

**A21. Other Operating Expenses**

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Oct-07 RM'000	3 months ended 31-Oct-06 RM'000	3 months ended 31-Oct-07 RM'000	3 months ended 31-Oct-06 RM'000
Personnel costs:				
- Salaries, allowances and bonuses	(14,649)	(9,782)	(14,649)	(9,782)
- Contributions to a defined contribution plan	(1,905)	(1,165)	(1,905)	(1,165)
- Others	(5,088)	(5,148)	(5,088)	(5,148)
	<u>(21,642)</u>	<u>(16,095)</u>	<u>(21,642)</u>	<u>(16,095)</u>
Establishment related costs:				
- Depreciation	(2,174)	(1,950)	(2,174)	(1,950)
- Rental of premises	(873)	(660)	(873)	(660)
- Rental of equipment	(711)	(707)	(711)	(707)
- Repairs and maintenance of premises and equipment	(339)	(225)	(339)	(225)
- Information technology expenses	(472)	(420)	(472)	(420)
- Others	(1,023)	(926)	(1,023)	(926)
	<u>(5,592)</u>	<u>(4,888)</u>	<u>(5,592)</u>	<u>(4,888)</u>
Promotion and marketing related expenses:				
- Promotion and business development	(3,678)	(1,443)	(3,678)	(1,443)
- Travelling and accommodation	(191)	(186)	(191)	(186)
- Others	(1,480)	(762)	(1,480)	(762)
	<u>(5,349)</u>	<u>(2,391)</u>	<u>(5,349)</u>	<u>(2,391)</u>
Administrative and general expenses:				
- Professional and consultancy fees	(501)	(211)	(501)	(211)
- Communication expenses	(1,060)	(918)	(1,060)	(918)
- Incentives and commission	(11,453)	(9,484)	(11,453)	(9,484)
- Regulatory charges	(2,605)	(1,052)	(2,605)	(1,052)
- Commission on standby letters of credit	(263)	(262)	(263)	(262)
- Others	(2,056)	(1,791)	(2,056)	(1,791)
	<u>(17,938)</u>	<u>(13,718)</u>	<u>(17,938)</u>	<u>(13,718)</u>
<b>Total</b>	<b><u>(50,521)</u></b>	<b><u>(37,092)</u></b>	<b><u>(50,521)</u></b>	<b><u>(37,092)</u></b>

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2007**

**A22. Allowance for Losses on Loans and Advances**

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Oct-07 RM'000	3 months ended 31-Oct-06 RM'000	3 months ended 31-Oct-07 RM'000	3 months ended 31-Oct-06 RM'000
Allowance for bad and doubtful debts:				
Specific allowance				
- made during the financial period	-	-	-	-
- written back	-	-	-	-
	-	-	-	-
General allowance				
- made during the financial period	(1,683)	-	(1,683)	-
	<u>(1,683)</u>	<u>-</u>	<u>(1,683)</u>	<u>-</u>

**A23. 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-Oct-07 RM'000	3 months ended 31-Oct-06 RM'000	3 months ended 31-Oct-07 RM'000	3 months ended 31-Oct-06 RM'000
Allowance for bad and doubtful debts:				
Specific allowance				
- made during the financial period	(510)	(220)	(510)	(220)
- written back	845	2,441	845	2,441
	335	2,221	335	2,221
General allowance				
- written back during the financial period	181	107	181	107
Bad debts:				
- recovered	9	-	9	-
	<u>525</u>	<u>2,328</u>	<u>525</u>	<u>2,328</u>



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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2007**

**A24. 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-Oct-07			As at 31-Jul-07		
	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
Commitments to extend credits with maturity of less than 1 year:						
- margin	257,415	-	-	246,212	-	-
- term loans	20,000	-	-	10,000	-	-
Foreign exchange related contracts:						
- less than 1 year	42,283	6	1	17,149	3	1
Interest rate related contracts:						
- less than one year	130,000	498	249	-	-	-
- 1 year to less than 5 years	950,000	293	147	-	-	-
- 5 years and above	40,526	6	3	-	-	-
	<b>1,440,224</b>	<b>803</b>	<b>400</b>	<b>273,361</b>	<b>3</b>	<b>1</b>

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

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2007**

**A25. Other Commitments**

	<b>As at 31-Oct-07 RM'000</b>	<b>As at 31-Jul-07 RM'000</b>
Capital expenditure commitments	18,784	19,860
Non-cancellable operating lease commitments	9,136	10,240
Committed capital in DBS HDM Capital Sdn. Bhd. ("DHC") in accordance with the Subscription Agreements between the Company and DHC	23,766	23,766
	<b>51,686</b>	<b>53,866</b>

**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 (formerly known as Hwang-DBS Investment Bank Berhad and Hwang-DBS Securities Berhad) ("HDBSIB"). The following disclosure of capital adequacy ratios is in respect of HDBSIB:

	<b>As at 31-Oct-07 RM'000</b>	<b>As at 31-Jul-07 RM'000</b>
The components of Tier I and Tier II capital are as follows:		
<b><u>Tier I capital</u></b>		
Issued and fully paid share capital	500,000	500,000
Retained profits	226,854	226,854
Statutory reserve	37,926	37,926
Options reserve	234	234
	765,014	765,014
Less:		
Deferred tax assets	(1,861)	(825)
Goodwill	(110,002)	(110,002)
Total Tier I capital	653,151	654,187
<b><u>Tier II capital</u></b>		
General allowance for bad and doubtful debts	3,364	2,388
Total Tier II capital	3,364	2,388
Total capital	656,515	656,575
Less: Investment in subsidiaries	(3,081)	(3,081)
<b>Capital base</b>	<b>653,434</b>	<b>653,494</b>
Core capital ratio	52.0%	55.4%
Risk-weighted capital ratio	52.0%	55.4%
Core capital ratio (net of dividend payable/proposed dividend)	49.1%	52.3%
Risk-weighted capital ratio (net of dividend payable/proposed dividend)	49.1%	52.3%

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2007**

**A27. 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				
<b>At 31 October 2007</b>										
<b>Assets</b>										
Cash and short term funds	493,413	-	-	-	-	107,103	600,516	-	600,516	3.27%
Deposit and placements with banks and other financial institutions	-	80,000	-	-	-	-	80,000	-	80,000	3.54%
Securities held-for-trading	-	-	-	-	-	-	-	261,524	261,524	-
Securities AFS	274,187	151,826	57,380	10,078	-	41,595	535,066	-	535,066	3.58%
Securities held-to-maturity	-	34,946	49,999	-	-	-	84,945	-	84,945	3.58%
Loans and advances:										
- performing	68,054	37,838	24,906	3,969	44,578	(1,308) *	178,037	-	178,037	8.55%
- non-performing	-	-	-	-	-	8,276	8,276	-	8,276	-
Clients' and brokers' balances	198,351	-	-	-	-	439,452	637,803	-	637,803	9.00%
Other assets <sup>(1)</sup>	2,438	1,829	-	-	-	276,753	281,020	-	281,020	2.27%
<b>Total assets</b>	<b>1,036,443</b>	<b>306,439</b>	<b>132,285</b>	<b>14,047</b>	<b>44,578</b>	<b>871,871</b>	<b>2,405,663</b>	<b>261,524</b>	<b>2,667,187</b>	
<b>Liabilities</b>										
Deposits from customers	467,619	509	-	-	-	-	468,128	-	468,128	3.50%
Deposits and placements of banks and other financial institutions	440,229	12,820	87,235	-	-	-	540,284	-	540,284	3.52%
Clients' and brokers' balances	67,082	-	-	-	-	306,128	373,210	-	373,210	2.95%
Other liabilities <sup>(2)</sup>	203,508	-	-	-	-	115,781	319,289	-	319,289	3.17%
Borrowings	53,000	-	150,000	-	-	61	203,061	-	203,061	4.26%
<b>Total liabilities</b>	<b>1,231,438</b>	<b>13,329</b>	<b>237,235</b>	<b>-</b>	<b>-</b>	<b>421,970</b>	<b>1,903,972</b>	<b>-</b>	<b>1,903,972</b>	
Total equity	-	-	-	-	-	763,215	763,215	-	763,215	-
<b>Total liabilities and equity</b>	<b>1,231,438</b>	<b>13,329</b>	<b>237,235</b>	<b>-</b>	<b>-</b>	<b>1,185,185</b>	<b>2,667,187</b>	<b>-</b>	<b>2,667,187</b>	
On-balance sheet interest sensitivity gap	(194,995)	293,110	(104,950)	14,047	44,578	(313,314)	(261,524)	261,524	-	
Off-balance sheet interest sensitivity gap	-	(10,000)	90,000	(470,000)	10,526	-	(379,474)	-	(379,474)	
<b>Total interest sensitivity gap</b>	<b>(194,995)</b>	<b>283,110</b>	<b>(14,950)</b>	<b>(455,953)</b>	<b>55,104</b>	<b>(313,314)</b>	<b>(640,998)</b>	<b>261,524</b>	<b>(379,474)</b>	

<sup>(1)</sup> Other assets include Other assets, Statutory deposits with Bank Negara Malaysia, 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.

<sup>(2)</sup> 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.

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2007**

**A27. 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				
<b>At 31 July 2007</b>										
<b>Assets</b>										
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 <sup>(1)</sup>	1,000	1,816	-	-	-	273,796	276,612	-	276,612	2.74%
<b>Total assets</b>	<b>733,549</b>	<b>67,834</b>	<b>44,192</b>	<b>11,167</b>	<b>12,776</b>	<b>1,154,825</b>	<b>2,024,343</b>	<b>12,549</b>	<b>2,036,892</b>	
<b>Liabilities</b>										
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%
Other liabilities <sup>(2)</sup>	203,173	-	-	-	-	115,928	319,101	-	319,101	2.98%
Borrowings	18,000	-	150,000	-	-	-	168,000	-	168,000	4.09%
<b>Total liabilities</b>	<b>452,108</b>	<b>52,937</b>	<b>174,980</b>	<b>-</b>	<b>-</b>	<b>609,101</b>	<b>1,289,126</b>	<b>-</b>	<b>1,289,126</b>	
Total equity	-	-	-	-	-	747,766	747,766	-	747,766	-
<b>Total liabilities and equity</b>	<b>452,108</b>	<b>52,937</b>	<b>174,980</b>	<b>-</b>	<b>-</b>	<b>1,356,867</b>	<b>2,036,892</b>	<b>-</b>	<b>2,036,892</b>	
On-balance sheet interest sensitivity gap	281,441	14,897	(130,788)	11,167	12,776	(202,042)	(12,549)	12,549	-	
<b>Total interest sensitivity gap</b>	<b>281,441</b>	<b>14,897</b>	<b>(130,788)</b>	<b>11,167</b>	<b>12,776</b>	<b>(202,042)</b>	<b>(12,549)</b>	<b>12,549</b>	<b>-</b>	

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2007**

**A28. 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**

<b>3 months ended 31 October 2007</b>	<b>Stockbroking and related activities RM'000</b>	<b>Investment banking and financial services RM'000</b>	<b>Property investment RM'000</b>	<b>Investment holding RM'000</b>	<b>Money- lending RM'000</b>	<b>Others RM'000</b>	<b>Consolidation adjustments RM'000</b>	<b>Group RM'000</b>
<b>Revenue</b>								
External revenue *	55,147	26,435	222	427	1,795	377	-	84,403
Inter-segment revenue	-	21	1,058	53,023	-	564	(54,666)	-
<b>Total revenue</b>	<b>55,147</b>	<b>26,456</b>	<b>1,280</b>	<b>53,450</b>	<b>1,795</b>	<b>941</b>	<b>(54,666)</b>	<b>84,403</b>
<b>Results</b>								
Segment results	27,859	(2,833)	814	(307)	1,121	(69)	(248)	26,337
Unallocated income								59
Unallocated expenses								(1,642)
								<u>24,754</u>
Share of results of jointly controlled entities, net of tax	-	21	-	(157)	-	-	-	(136)
Profit before taxation								24,618
Taxation								(5,241)
<b>Profit for the financial period</b>								<b><u>19,377</u></b>

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

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2007**

**A28. Segmental information (cont'd)**

**Primary reporting format - Business segment (cont'd)**

<b>3 months ended 31 October 2006</b>	<b>Stockbroking and related activities RM'000</b>	<b>Financial services RM'000</b>	<b>Property investment RM'000</b>	<b>Investment holding RM'000</b>	<b>Money- lending RM'000</b>	<b>Others RM'000</b>	<b>Consolidation adjustments RM'000</b>	<b>Group RM'000</b>
<b>Revenue</b>								
External revenue *	26,899	14,754	216	273	1,402	278	-	43,822
Inter-segment revenue	-	15	1,073	15,023	-	340	(16,451)	-
<b>Total revenue</b>	<b>26,899</b>	<b>14,769</b>	<b>1,289</b>	<b>15,296</b>	<b>1,402</b>	<b>618</b>	<b>(16,451)</b>	<b>43,822</b>
<b>Results</b>								
Segment results	10,714	549	816	(1,589)	394	(38)	(120)	10,726
Unallocated income								1
Unallocated expenses								(132)
								<u>10,595</u>
Share of results of jointly controlled entities, net of tax	-	(88)	-	(54)	-	-	-	(142)
Profit before taxation								<u>10,453</u>
Taxation								(2,934)
<b>Profit for the financial period</b>								<b><u>7,519</u></b>

\* 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.

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2007**

**A29. Valuation of Property, Plant and Equipment**

Not applicable.

**A30. Subsequent Events**

There are no material events subsequent to the end of the financial period ended 31 October 2007 except for the following:

- (a) On 19 November 2007, the Company has entered into a Memorandum of Understanding with Prudential Vietnam Assurance Private Limited with a view of establishing a stockbroking company in Vietnam ("Newco") with the proposed name of HwangDBS Securities (Vietnam) Joint Stock Company. Please refer to explanatory note B9 for details of the corporate proposal.
- (b) On 30 November 2007, a subsidiary, HDM Properties Sdn. Bhd. ("HDMP") received an amount of RM8,800,000, being the balance of the sales consideration of a property from the purchaser pursuant to the Deed of Settlement entered into by HDMP and the purchaser on 7 September 2007. The sale was completed on 30 November 2007.

**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 2007.

**A32. 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 RM53 million, being the amount of banking facilities drawn down by a subsidiary for working capital purposes (As at 31 July 2007: RM18 million).

**A33. 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 Malaysia Securities Berhad.

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2007**

**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**

For the current quarter ended 31 October 2007, the Group registered a higher operating revenue of RM84.4 million, as compared to RM43.8 million for the corresponding quarter of the preceding financial year. The 92.6% increase in the Group's operating revenue is mainly driven by higher brokerage income as a result of the sustainable value traded in Bursa Malaysia Securities Berhad ("Bursa Securities"), which moved up 131% in the current quarter under review against the corresponding quarter ended 31 October 2006. The Group also recorded a significant improvement in pretax profits from the RM10.5 million recorded in the quarter ended 31 October 2006 to RM24.6 million for the current quarter under review. The improvement in earnings is primarily attributable to the higher brokerage income, partially offset by a higher unrealised loss arising from revaluation of securities held-for-trading and general allowance made on new loans disbursed by the investment banking and moneylending subsidiaries.

The investment banking subsidiary remained the dominant contributor to the Group's results for the current quarter under review, accounting for 72.2% and 85.8% of the Group's operating revenue and pretax profit respectively, against 61.1% and 90.2% for the corresponding quarter ended 31 October 2006.

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 period from 31 October 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 reported a lower pretax profit of RM24.6 million for the first quarter of the financial year 2008 as compared to RM29.3 million for the immediate preceding quarter ended 31 July 2007. The reduction in earnings is mainly due to the lower brokerage income recorded for the current quarter in line with the lower value traded in Bursa Securities as well as the increase in general allowance for losses on loans and advances, the effects of which are partially cushioned by the absence of impairment loss. In the quarter ended 31 July 2007, impairment loss of RM3.4 million was made on an investment property of the Group.



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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2007**

**B3. Commentary**

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

The impact of the Ninth Malaysia Plan is likely to be seen in 2008 and is anticipated to sustain the performance of the local equity market. However, growing concerns over the spillover of the US financial crisis as mortgage and credit problems deepened, may pose a dampening effect on the activities of the regional and local bourses, and this will in turn, affect the performance of the stockbroking division of the Group.

In relation to its new investment banking division, the Group will focus on growing its treasury business as well as the fee-based activities, derivatives and capital market business in the current financial year under review. In addition, the Group's asset management portfolio and consumer financing activities are projected to increase and are expected to continue to contribute to the Group's profitability in the current financial year.

With the on-going efforts to strengthen the capacity and capability, the Group is well positioned to meet the challenges ahead.

**(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.

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2007**

**B6. Taxation**

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Oct-07 RM'000	3 months ended 31-Oct-06 RM'000	3 months ended 31-Oct-07 RM'000	3 months ended 31-Oct-06 RM'000
In respect of the current financial period:-				
Malaysian income tax	(6,431)	(3,062)	(6,431)	(3,062)
Deferred tax	1,097	128	1,097	128
	<u>(5,334)</u>	<u>(2,934)</u>	<u>(5,334)</u>	<u>(2,934)</u>
In respect of prior financial years:-				
Malaysian income tax	93	-	93	-
	<u>(5,241)</u>	<u>(2,934)</u>	<u>(5,241)</u>	<u>(2,934)</u>

The statutory income tax rate has been reduced to 26% effective from year of assessment 2008.

The effective tax rate for the current quarter and financial period ended 31 October 2007 is lower than the statutory tax rate due to certain income, mainly capital gains and dividend income which are not subject to tax, offset by effects of certain expenses which are not deductible for tax purposes.

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 period ended 31 October 2007.

**B8. Purchase and Sales of Quoted Securities**

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

	<b>Current quarter and financial period ended 31-Oct-07 RM'000</b>
(i) Total Purchase Consideration	<u>10,036</u>
(ii) Total Sales Proceeds	<u>6,212</u>
(iii) Total Profit on Disposal	<u>1,798</u>

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2007**

**B8. Purchase and Sales of Quoted Securities (continued)**

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

	<b>RM'000</b>
(i) At Cost	<u>30,238</u>
(ii) At Book Value	<u>33,841</u>
(iii) At Market Value	<u>33,841</u>

**B9. Status of Corporate Proposals**

There are no corporate proposals announced but not completed as at date of issue of this announcement except that on 19 November 2007, the Company has entered into a Memorandum of Understanding with Prudential Vietnam Assurance Private Limited ("Prudential") with a view of establishing a stockbroking company in Vietnam ("Newco") with the proposed name of HwangDBS Securities (Vietnam) Joint Stock Company.

The proposed paid up capital/charter capital of the Newco will be VND300,000,000,000 divided into 30,000,000 ordinary shares with face value of VND10,000 per share. It is proposed that the Company will hold 49% of the equity interest in the Newco with Prudential, which is incorporated in Vietnam holding 40% for investment purposes only and the remaining 11% will be held by local Vietnamese individuals.

The Company will submit applications to the relevant authorities in Vietnam for the establishment of the Newco and the necessary stockbroking licence in the near future. Subject to approvals being obtained from the regulatory authorities in Vietnam, the Newco will be principally conducting stockbroking and advisory operations, underwriting, custodian services and such other securities related activities as may be permitted by the regulatory authorities of Vietnam.

**B10. Group Borrowings and Debt Securities**

Please refer to explanatory note A17.

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 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:

Item	Principal amount RM'000	1 month or less RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 to 12 months RM'000	> 1 to 5 years RM'000	Margin requirement RM'000
Foreign exchange related contracts: - forward contracts	42,283	42,283	-	-	-	-	-
Interest rate related contracts: - futures contracts	1,110,000	-	70,000	30,000	60,000	950,000	797
- forward contracts	10,526	10,526	-	-	-	-	-
	1,162,809	52,809	70,000	30,000	60,000	950,000	797

Credit risk

Credit risk or counterparty risk is the exposure to loss due to counterparty's default on credit obligations. As at the balance sheet date, the amount of credit risk to the Group arising from foreign exchange related contracts, measured in terms of the cost to replace profitable contracts is insignificant. The amount of credit risk to the Group arising from futures contracts, measured based on the outstanding margin placed with the broker, weighted by the relevant counterparty risk weights was RM399,000 (At 31 July 2007: RM Nil). 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 amounts as stated above only provide 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. As at the balance sheet date, the notional amount of interest rate related contracts which were exposed to market risk was RM380 million (At 31 July 2007: RM Nil).

Related accounting policies

Derivative financial instruments transacted by the Group are carried at fair value and presented separately in the balance sheet as assets (positive changes in fair values) and liabilities (negative changes in fair values). Unrealised gains or losses arising from changes in fair values of derivative financial instruments are recognised in the income statement in the period in which they arise.

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2007**

**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 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 has been adjourned as the client has been adjudged a bankrupt upon the petition of another party. The client has filed an application for a stay of the bankruptcy order and has also filed an appeal against the bankruptcy order. HDBSIB's claim against the client and the client's counterclaim against HDBSIB will proceed only if the client is successful in his appeal against the bankruptcy order.
- (b) Claim filed by a remisier's former assistant for damages of RM40 million against HDBSIB in October 1999 arising from a police report lodged by the remisier against the said assistant over an incident of unauthorised sale of shares was withdrawn by the said assistant with liberty to file afresh on 18 May 2004. The said assistant has re-filed his suit on 16 June 2004 claiming for damages resulting from libel, wrongful procurement of arrest and conspiracy and an order for injunction against HDBSIB, the remisier and their agents from spreading any defamatory words against the said assistant. HDBSIB has filed its defence to the claim and has also filed an application to strike out the claim. The application which was originally fixed before the court on 21 November 2007 for decision has been adjourned by the court to 12 February 2008 for further submission and decision.
- (c) 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 an outstanding sum of RM8.46 million. HDBSIB's claim against the said client and the client's claim against HDBSIB have been consolidated. The case was part heard on 28 November 2007 and has been adjourned by the court for continued hearing on 13 and 14 May 2008.

**B13. Dividends**

Please refer to explanatory note A7.

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2007**

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Oct-07	3 months ended 31-Oct-06	3 months ended 31-Oct-07	3 months ended 31-Oct-06
Profit for the financial period attributable to equity holders of the Company (RM'000)	18,466	7,059	18,466	7,059
Weighted average number of ordinary shares in issue ('000)	254,953	253,691	254,953	253,691
<b>Basic earnings per share (sen)</b>	<b>7.24</b>	<b>2.78</b>	<b>7.24</b>	<b>2.78</b>
Profit for the financial period attributable to equity holders of the Company (RM'000)	18,466	7,059	18,466	7,059
Weighted average number of ordinary shares in issue ('000):				
- in issue during the financial period (as above)	254,953	253,691	254,953	253,691
- adjustment made for share options	368	182	368	182
	255,321	253,873	255,321	253,873
<b>Diluted earnings per share (sen)</b>	<b>7.23</b>	<b>2.78</b>	<b>7.23</b>	<b>2.78</b>

**By Order of the Board**

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

**Penang**  
**7 December 2007**