

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED BALANCE SHEET AS AT 31 JANUARY 2008

	Note	As at 31-Jan-08 RM'000	As at 31-Jul-07 RM'000
Assets			
Cash and short term funds		996,096	592,719
Deposits and placements with banks and other financial institutions		226,485	15,000
Securities held-for-trading	A8	854,929	12,549
Securities available-for-sale ("AFS")	A9	98,016	143,390
Securities held-to-maturity	A10	54,987	-
Loans and advances	A11	249,425	75,793
Clients' and brokers' balances	A12	607,566	920,829
Other assets	A13	41,513	25,762
Statutory deposits with Bank Negara Malaysia		19,449	-
Tax recoverable		7,161	4,825
Deferred tax assets		2,117	1,051
Interests in jointly controlled entities		205	480
Property, plant and equipment		63,579	63,925
Investment properties		6,286	17,950
Intangible assets		162,619	162,619
Total assets		<u>3,390,433</u>	<u>2,036,892</u>
Liabilities			
Deposits from customers	A14	680,148	88,605
Deposits and placements of banks and other financial institutions	A15	1,131,837	174,502
Clients' and brokers' balances		276,659	538,918
Other liabilities	A16	290,757	313,455
Taxation		1,426	5,103
Deferred tax liabilities		556	543
Borrowings	A17	242,000	168,000
Total liabilities		<u>2,623,383</u>	<u>1,289,126</u>
Equity			
Share capital		265,834	265,559
Reserves		506,658	488,441
Treasury shares, at cost		(16,024)	(16,024)
		<u>756,468</u>	<u>737,976</u>
Minority interests		10,582	9,790
Total equity		<u>767,050</u>	<u>747,766</u>
Total liabilities and equity		<u>3,390,433</u>	<u>2,036,892</u>
Net assets per share (RM)		<u>2.96</u>	<u>2.90</u>

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 JANUARY 2008

	Note	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
		3 months ended 31-Jan-08 RM'000	3 months ended 31-Jan-07 RM'000	6 months ended 31-Jan-08 RM'000	6 months ended 31-Jan-07 RM'000
Operating revenue		91,158	89,317	175,561	133,140
Interest income	A18	25,468	5,873	38,417	12,624
Interest expense	A19	(15,516)	(2,108)	(22,326)	(3,893)
Net interest income		9,952	3,765	16,091	8,731
Other operating income	A20	70,431	86,187	140,725	126,582
		80,383	89,952	156,816	135,313
Other operating expenses	A21	(55,029)	(57,466)	(105,550)	(94,559)
		25,354	32,486	51,266	40,754
Allowance for losses on loans and advances	A22	(1,411)	(2,969)	(3,094)	(2,969)
Write back of allowance/(allowance) for bad and doubtful debts on clients' balances	A23	180	(8)	705	2,319
		24,123	29,509	48,877	40,104
Share of results of jointly controlled entities, net of tax		(139)	(153)	(274)	(295)
Profit before taxation		23,984	29,356	48,603	39,809
Taxation	B6	(6,453)	(8,339)	(11,694)	(11,273)
Profit for the financial period		17,531	21,017	36,909	28,536
Attributable to:					
Equity holders of the Company		15,936	19,438	34,402	26,497
Minority interests		1,595	1,579	2,507	2,039
		17,531	21,017	36,909	28,536
Earnings per share attributable to equity holders of the Company (sen)	B14				
- Basic		6.25	7.66	13.49	10.44
- Fully diluted		6.24	7.64	13.47	10.42

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 JANUARY 2008

Attributable to Equity Holders of the Company

	Issued and fully paid ordinary shares of RM1 each		Treasury shares	Share premium	Statutory reserve	AFS reserve	Options reserve	Retained profits	Total	Minority interests	Total equity
	Number of shares '000	Nominal value RM'000									
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	-	-	-	-	-	(3,784)	-	-	(3,784)	-	(3,784)
Net gain transferred to income statement on disposal of securities AFS	-	-	-	-	-	(3,265)	-	-	(3,265)	-	(3,265)
Net loss recognised directly in equity	-	-	-	-	-	(7,049)	-	-	(7,049)	-	(7,049)
Profit for the financial period	-	-	-	-	-	-	-	34,402	34,402	2,507	36,909
Total recognised income and expenses for the financial period	-	-	-	-	-	(7,049)	-	34,402	27,353	2,507	29,860
Options exercised	275	275	-	200	-	-	(23)	-	452	-	452
Final dividend for the financial year ended 31 July 2007	-	-	-	-	-	-	-	(9,313)	(9,313)	-	(9,313)
Dividend paid by a subsidiary to minority interests	-	-	-	-	-	-	-	-	-	(1,715)	(1,715)
At 31 January 2008	255,172	265,834	(16,024)	33,084	37,926	841	297	434,510	756,468	10,582	767,050

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 JANUARY 2008

Attributable to Equity Holders of the Company

	Issued and fully paid ordinary shares of RM1 each		Treasury shares	Share premium	AFS reserve	Retained profits	Total	Minority interests	Total equity
	Number of shares	Nominal value							
	'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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)	2,300	489	-	489
As restated	254,138	264,165	(15,025)	32,014	(1,811)	388,148	667,491	7,965	675,456
Net change in fair value of securities									
AFS, net of tax	-	-	-	-	6,378	-	6,378	-	6,378
Net gain transferred to income statement on disposal of securities AFS	-	-	-	-	(14)	-	(14)	-	(14)
Net gain recognised directly in equity	-	-	-	-	6,364	-	6,364	-	6,364
Profit for the financial period	-	-	-	-	-	26,497	26,497	2,039	28,536
Total recognised income and expenses for the financial period	-	-	-	-	6,364	26,497	32,861	2,039	34,900
Shares repurchased held as treasury shares at cost	(635)	-	(999)	-	-	-	(999)	-	(999)
Option exercised	600	600	-	255	-	-	855	-	855
Final dividend for the year ended 31 July 2006	-	-	-	-	-	(9,140)	(9,140)	-	(9,140)
Dividend paid by a subsidiary to minority interests	-	-	-	-	-	-	-	(1,354)	(1,354)
At 31 January 2007	254,103	264,765	(16,024)	32,269	4,553	405,505	691,068	8,650	699,718

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 JANUARY 2008

	6 months ended 31-Jan-08 RM'000	6 months ended 31-Jan-07 RM'000
Profit for the financial period	36,909	28,536
Adjustments for:		
Non-cash items	29,307	15,313
Non-operating items - investing	(10,689)	(1,653)
Non-operating items - financing	4,619	3,893
	<u>60,146</u>	<u>46,089</u>
Changes in working capital:		
Net changes in operating assets	(959,544)	(585,132)
Net changes in operating liabilities	1,246,562	348,156
	<u>347,164</u>	<u>(190,887)</u>
Interest paid	(16,078)	-
Tax paid	(18,243)	(1,873)
Net operating cash flow	<u>312,843</u>	<u>(192,760)</u>
Investing activities		
Net purchase of securities	(14,477)	-
Interest received from securities	5,796	-
Dividends received	1,728	827
Contribution to the Government of Malaysia for a merchant bank licence	-	(42,500)
Proceeds from disposal of other investments	-	18
Proceeds from disposal of an investment property	9,800	-
Property, plant and equipment	(3,726)	(5,399)
Net investing cash flow	<u>(879)</u>	<u>(47,054)</u>
Financing activities		
Dividend paid by a subsidiary to minority interests	(1,715)	(1,354)
Dividend paid	(9,313)	(9,140)
Interest paid	(1,477)	(3,920)
Net drawdown of borrowings	74,000	89,300
Issue of shares	452	855
Shares repurchased	-	(999)
Net financing cash flow	<u>61,947</u>	<u>74,742</u>
Net change in cash and cash equivalents	373,911	(165,072)
Cash and cash equivalents at beginning of the financial period	<u>339,942</u>	<u>265,601</u>
Cash and cash equivalents at end of the financial period	<u>713,853</u>	<u>100,529</u>
Cash and cash equivalents at end of the financial period comprise:		
Cash and short term funds	713,853	100,837
Bank overdrafts (Book)	-	(308)
	<u>713,853</u>	<u>100,529</u>

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 JANUARY 2008

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 January 2008.

A5. Changes in Estimates

There are no material changes in accounting estimates used in the preparation of the interim financial report for the current quarter and financial period ended 31 January 2008 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 JANUARY 2008

A6. Debts and Equity Securities

There are no issuance, cancellations, repurchase, resale and repayments of debt and equity securities for the financial period ended 31 January 2008 except that the Company has issued 275,000 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 January 2008 amounted to RM451,680. Details of the options exercised are as follows:

Option Price RM	Number of Options Exercised
1.90	53,000
1.54	87,000
1.32	95,000
2.29	40,000
	<u><u>275,000</u></u>

A7. Dividends

A final dividend of 5.0 sen per ordinary share, less 27% income tax, amounting to RM9,312,679 in respect of the previous financial year ended 31 July 2007 was paid on 27 December 2007.

The Board of Directors has declared an interim dividend of 5.0 sen per ordinary share, less 26% income tax, amounting to RM9,441,360 based on the issued and paid-up share capital of the Company as at 31 January 2008, in respect of the current financial year ending 31 July 2008. (Previous financial year ended 31 July 2007: interim dividend of 5.0 sen per ordinary share, less 27% income tax).

NOTICE IS HEREBY GIVEN THAT an interim dividend of 5.0 sen per ordinary share, less 26% income tax (2007: 5.0 sen per ordinary share, less 27% income tax) will be payable to shareholders of the Company registered in the Record of Depositors at the close of business on 18 April 2008. The said dividend will be paid on 15 May 2008.

A depositor shall qualify for entitlement only in respect of:

- (a) shares transferred into the depositor's securities account before 4.00 pm on 18 April 2008 in respect of ordinary transfers; and
- (b) shares bought on the Bursa Securities on a cum entitlement basis according to the Rules of Bursa Securities.

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2008

A8. Securities Held-For-Trading

	As at 31-Jan-08 RM'000	As at 31-Jul-07 RM'000
At fair value		
Malaysian Government Securities	20,218	-
Negotiable instruments of deposits	320,000	-
Bankers' acceptances	7,550	-
Private and Islamic debt securities	483,143	-
	<u>830,911</u>	<u>-</u>
Quoted in Malaysia:		
Shares and warrants	20,955	5,604
Loan stocks	1,741	1,950
Unit trusts	1,322	4,995
	<u>854,929</u>	<u>12,549</u>

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

	As at 31-Jan-08 RM'000	As at 31-Jul-07 RM'000
At fair value		
Malaysian Government Securities	10,108	10,105
Malaysian Government Treasury Bills	-	29,883
Bankers' acceptances	27,630	63,008
Negotiable instruments of deposits	30,000	-
	<u>67,738</u>	<u>102,996</u>
Quoted in Malaysia:		
Shares and warrants *	20,824	29,850
Unit trusts	8,964	10,054
	<u>97,526</u>	<u>142,900</u>
At cost		
Unquoted:		
Shares	4,490	4,490
	<u>102,016</u>	<u>147,390</u>
Accumulated impairment losses	(4,000)	(4,000)
	<u>98,016</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 RM19.6 million as at 31 January 2008 (As at 31 July 2007: RM27.9 million).

A10. Securities Held-To-Maturity

	As at 31-Jan-08 RM'000	As at 31-Jul-07 RM'000
At amortised cost		
Bankers' acceptances	4,991	-
Negotiable instruments of deposits	49,996	-
	<u>54,987</u>	<u>-</u>

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2008

A11. Loans and Advances

	As at 31-Jan-08 RM'000	As at 31-Jul-07 RM'000
(i) By Type		
Term loans		
- bridging loan	10,055	10,052
- syndicated loan	25,029	-
- other term loans	<u>296,928</u>	<u>85,576</u>
	332,012	95,628
Unearned interest	<u>(72,285)</u>	<u>(12,626)</u>
	259,727	83,002
Allowance for losses on loans and advances:		
- general	(3,798)	(1,154)
- specific	<u>(6,504)</u>	<u>(6,055)</u>
Net loans and advances	<u>249,425</u>	<u>75,793</u>
(ii) By Type of Customer		
Domestic business enterprises		
- others	128,945	45,079
Individuals	48,782	24,078
Other domestic entities	<u>82,000</u>	<u>13,845</u>
	<u>259,727</u>	<u>83,002</u>
(iii) By Interest Rate Sensitivity		
Fixed rate		
- other fixed rate loans	148,483	72,950
Variable rate		
- cost-plus	<u>111,244</u>	<u>10,052</u>
	<u>259,727</u>	<u>83,002</u>
(iv) By Purpose		
Purchase of securities	119,228	36,631
Working capital	42,639	16,588
Personal use	<u>97,860</u>	<u>29,783</u>
	<u>259,727</u>	<u>83,002</u>
(v) Non-performing Loans and Advances ("NPLs") by Purpose		
Purchase of securities	14,900	14,900
Working capital	959	959
	<u>15,859</u>	<u>15,859</u>

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2008

A11. Loans and Advances (cont'd)

	As at 31-Jan-08 RM'000	As at 31-Jul-07 RM'000
(vi) Movements in NPLs		
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>(6,504)</u>	<u>(6,055)</u>
Net NPLs	<u>9,355</u>	<u>9,804</u>
Net NPLs as a % of gross loans and advances less specific allowance	<u>3.7%</u>	<u>12.7%</u>
(vii) Movements in Allowance for Losses on Loans and Advances		
<u>General Allowance</u>		
At beginning of the financial period	1,154	-
Allowance made	2,644	1,154
At end of the financial period	<u>3,798</u>	<u>1,154</u>
As a % of gross loans and advances less specific allowance	<u>1.5%</u>	<u>1.5%</u>
<u>Specific Allowance</u>		
At beginning of the financial period	6,055	3,629
Allowance made	449	2,634
Amount recovered	-	(31)
Amount written back	-	(177)
At end of the financial period	<u>6,504</u>	<u>6,055</u>

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2008

A12. Clients' and Brokers' Balances

	As at 31-Jan-08	As at 31-Jul-07
Clients' and brokers' balances, net of allowance for bad and doubtful debts	607,566	920,829

**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	(139)	650
At end of the financial period	2,098	2,237

Specific Allowance

At beginning of the financial period	18,084	35,597
Allowance made	507	835
Amount written off	(4,235)	(13,651)
Amount written back	(1,064)	(4,697)
At end of the financial period	13,292	18,084

A13. Other Assets

	As at 31-Jan-08 RM'000	As at 31-Jul-07 RM'000
Trade receivables, net of allowance for doubtful debts of RM243,000 (2007: RM243,000)	8,537	9,715
Interest receivable	11,555	434
Derivative assets	2,592	3
Clearing Guarantee Fund	1,841	1,816
Clearing Fund	1,000	1,000
Other receivables, deposits and prepayments	13,182	9,988
Other investments	2,806	2,806
	41,513	25,762

A14. Deposits from Customers

	As at 31-Jan-08 RM'000	As at 31-Jul-07 RM'000
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Group

(i) By Type of Deposit

Fixed deposits	657,348	88,605
Negotiable instruments of deposits	22,800	-
	680,148	88,605

(ii) By Type of Customer

Government and statutory bodies	200,000	-
Business enterprises	456,330	87,597
Individuals	23,304	503
Others	514	505
	680,148	88,605

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2008

A15. Deposits and Placements of Banks and Other Financial Institutions

	As at 31-Jan-08 RM'000	As at 31-Jul-07 RM'000
Licensed banks	141,114	14,300
Licensed investment banks	20,000	20,000
Other financial institutions	970,723	140,202
	<u>1,131,837</u>	<u>174,502</u>

A16. Other Liabilities

	As at 31-Jan-08 RM'000	As at 31-Jul-07 RM'000
Trade payables	14,408	32,362
Interest payable	6,728	1,875
Derivative liabilities	278	71
Other payables and accruals	269,343	279,147
	<u>290,757</u>	<u>313,455</u>

A17. Borrowings

- (a) Borrowings of the Group as at 31 January 2008 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 RM92 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-Jan-08 RM'000	As at 31-Jul-07 RM'000
Short term borrowings		
Revolving credits	<u>242,000</u>	<u>168,000</u>
Long term borrowings	<u>-</u>	<u>-</u>
Total borrowings	<u>242,000</u>	<u>168,000</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 JANUARY 2008

A18. Interest Income

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jan-08 RM'000	3 months ended 31-Jan-07 RM'000	6 months ended 31-Jan-08 RM'000	6 months ended 31-Jan-07 RM'000
Loans and advances				
- Interest income other than recoveries from NPLs	4,485	2,586	5,981	4,221
- Recoveries from NPLs	-	49	373	359
Money at call and deposit placements with financial institutions	5,513	959	8,283	2,897
Securities:				
- held-for-trading	8,373	-	9,772	-
- AFS	1,835	643	4,980	1,285
- held-to-maturity	738	-	816	-
Margin receivables	4,015	3,719	7,482	7,093
Others	1,020	388	1,512	625
	<u>25,979</u>	<u>8,344</u>	<u>39,199</u>	<u>16,480</u>
Amortisation of premium less accretion of discount	(311)	(42)	(370)	(83)
Interest suspended	(200)	(2,429)	(412)	(3,773)
	<u>25,468</u>	<u>5,873</u>	<u>38,417</u>	<u>12,624</u>

A19. Interest Expense

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jan-08 RM'000	3 months ended 31-Jan-07 RM'000	6 months ended 31-Jan-08 RM'000	6 months ended 31-Jan-07 RM'000
Deposits and placements of banks and other financial institutions	(7,801)	-	(11,152)	-
Deposits from customers	(4,537)	-	(5,926)	-
Borrowings	(2,660)	(1,850)	(4,619)	(3,585)
Others	(518)	(258)	(629)	(308)
	<u>(15,516)</u>	<u>(2,108)</u>	<u>(22,326)</u>	<u>(3,893)</u>

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A20. Other Operating Income

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jan-08 RM'000	3 months ended 31-Jan-07 RM'000	6 months ended 31-Jan-08 RM'000	6 months ended 31-Jan-07 RM'000
Fee and commission income:				
Brokerage	36,343	45,042	79,815	64,910
Unit trust management and incentive fees	12,578	10,060	22,225	15,470
Advisory and arranger fees	6,024	1,808	6,920	2,366
Underwriting commission and placement income	-	70	646	70
Service charges and fees	456	369	850	668
Other fees	2,477	684	4,205	1,457
	<u>57,878</u>	<u>58,033</u>	<u>114,661</u>	<u>84,941</u>
Net gain arising from sale of securities:				
- held-for-trading	1,819	3,748	5,888	5,250
- AFS	1,695	1,827	2,833	1,995
	<u>3,514</u>	<u>5,575</u>	<u>8,721</u>	<u>7,245</u>
Net unrealised gain on revaluation of:				
- securities held-for-trading	5,355	1,300	2,182	2,741
- derivatives	2,164	-	2,371	-
	<u>7,519</u>	<u>1,300</u>	<u>4,553</u>	<u>2,741</u>
Gross dividends from securities:				
- held-for-trading	2	335	181	1,633
- AFS	616	438	1,786	490
	<u>618</u>	<u>773</u>	<u>1,967</u>	<u>2,123</u>
Other income:				
Initial service charge	2,224	19,460	10,954	27,604
Net foreign exchange gain/(loss):				
- realised	423	418	776	645
- unrealised	(2,711)	-	(2,702)	-
Rental Income	162	215	384	431
Others	804	413	1,411	852
	<u>902</u>	<u>20,506</u>	<u>10,823</u>	<u>29,532</u>
Total	<u>70,431</u>	<u>86,187</u>	<u>140,725</u>	<u>126,582</u>

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A21. Other Operating Expenses

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jan-08 RM'000	3 months ended 31-Jan-07 RM'000	6 months ended 31-Jan-08 RM'000	6 months ended 31-Jan-07 RM'000
Personnel costs:				
- Salaries, allowances and bonuses	(21,462)	(12,471)	(36,111)	(22,253)
- Contributions to a defined contribution plan	(3,151)	(1,884)	(5,056)	(3,048)
- Others	(4,566)	(4,361)	(9,654)	(9,510)
	<u>(29,179)</u>	<u>(18,716)</u>	<u>(50,821)</u>	<u>(34,811)</u>
Establishment related costs:				
- Depreciation	(2,214)	(2,006)	(4,388)	(3,957)
- Rental of premises	(847)	(805)	(1,720)	(1,465)
- Rental of equipment	(730)	(814)	(1,441)	(1,521)
- Repairs and maintenance of premises and equipment	(335)	(263)	(674)	(488)
- Information technology expenses	(365)	(340)	(837)	(761)
- Others	(915)	(934)	(1,938)	(1,860)
	<u>(5,406)</u>	<u>(5,162)</u>	<u>(10,998)</u>	<u>(10,052)</u>
Promotion and marketing related expenses:				
- Promotion and business development	(3,841)	(2,478)	(7,519)	(3,922)
- Travelling and accommodation	(231)	(215)	(422)	(400)
- Others	(1,549)	(3,013)	(3,029)	(3,775)
	<u>(5,621)</u>	<u>(5,706)</u>	<u>(10,970)</u>	<u>(8,097)</u>
Administrative and general expenses:				
- Professional and consultancy fees	(672)	(1,217)	(1,173)	(1,428)
- Communication expenses	(1,148)	(1,081)	(2,208)	(1,999)
- Incentives and commission	(5,800)	(20,161)	(17,253)	(29,645)
- Regulatory charges	(2,604)	(2,577)	(5,209)	(3,628)
- Commission on standby letters of credit	(264)	(263)	(527)	(525)
- Others	(4,335)	(2,583)	(6,391)	(4,374)
	<u>(14,823)</u>	<u>(27,882)</u>	<u>(32,761)</u>	<u>(41,599)</u>
Total	<u>(55,029)</u>	<u>(57,466)</u>	<u>(105,550)</u>	<u>(94,559)</u>

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A22. Allowance for Losses on Loans and Advances

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jan-08 RM'000	3 months ended 31-Jan-07 RM'000	6 months ended 31-Jan-08 RM'000	6 months ended 31-Jan-07 RM'000
Allowance for bad and doubtful debts:				
Specific allowance				
- made during the financial period	(450)	(1,898)	(450)	(1,898)
- written back	-	101	-	101
	<u>(450)</u>	<u>(1,797)</u>	<u>(450)</u>	<u>(1,797)</u>
General allowance				
- made during the financial period	(961)	(1,172)	(2,644)	(1,172)
	<u>(1,411)</u>	<u>(2,969)</u>	<u>(3,094)</u>	<u>(2,969)</u>

A23. Write back of Allowance/(Allowance) for Bad and Doubtful Debts on Clients' Balances

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jan-08 RM'000	3 months ended 31-Jan-07 RM'000	6 months ended 31-Jan-08 RM'000	6 months ended 31-Jan-07 RM'000
Allowance for bad and doubtful debts:				
Specific allowance				
- made during the financial period	(445)	(856)	(507)	(976)
- written back	667	1,178	1,064	3,518
	<u>222</u>	<u>322</u>	<u>557</u>	<u>2,542</u>
General allowance				
- (made)/written back during the financial period	(42)	(483)	139	(376)
Bad debts:				
- recovered	-	153	9	153
	<u>180</u>	<u>(8)</u>	<u>705</u>	<u>2,319</u>

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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-Jan-08			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
Direct credit substitutes	92,355	92,355	92,355	-	-	-
Commitments to extend credits with maturity of less than 1 year:						
- margin	307,759	-	-	246,212	-	-
- term loans	40,000	-	-	10,000	-	-
Foreign exchange related contracts:						
- less than 1 year	291,416	2,990	1,283	17,149	3	1
Interest rate related contracts:						
- less than one year	626,000	313	157	-	-	-
- 1 year to less than 5 years	2,307,000	10,334	2,464	-	-	-
	3,664,530	105,992	96,259	273,361	3	1

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

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A25. Other Commitments

	As at 31-Jan-08 RM'000	As at 31-Jul-07 RM'000
Capital expenditure commitments	17,961	19,860
Non-cancellable operating lease commitments	9,109	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
	<u>50,836</u>	<u>53,866</u>

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) ("HDBSIB"). The following disclosure of capital adequacy ratios is in respect of HDBSIB:

	As at 31-Jan-08 RM'000	As at 31-Jul-07 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	190,354	226,854
Statutory reserve	37,926	37,926
Options reserve	234	234
	<u>728,514</u>	<u>765,014</u>
Less:		
Deferred tax assets	(1,474)	(825)
Goodwill	(110,002)	(110,002)
Total Tier I capital	<u>617,038</u>	<u>654,187</u>
<u>Tier II capital</u>		
General allowance for bad and doubtful debts	4,434	2,388
Total Tier II capital	<u>4,434</u>	<u>2,388</u>
Total capital	621,472	656,575
Less: Investment in subsidiaries	(3,081)	(3,081)
Capital base	<u>618,391</u>	<u>653,494</u>
Core capital ratio	35.5%	55.4%
Risk-weighted capital ratio	35.5%	55.4%
Core capital ratio (net of proposed dividend)	35.5%	52.3%
Risk-weighted capital ratio (net of proposed dividend)	35.5%	52.3%

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2008

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				
At 31 January 2008										
Assets										
Cash and short term funds	930,569	-	-	-	-	65,527	996,096	-	996,096	3.39%
Deposit and placements with banks and other financial institutions	-	226,485	-	-	-	-	226,485	-	226,485	4.46%
Securities held-for-trading	-	-	-	-	-	-	-	854,929	854,929	-
Securities AFS	16,620	41,009	-	10,108	-	30,279	98,016	-	98,016	3.61%
Securities held-to-maturity	4,991	49,996	-	-	-	-	54,987	-	54,987	3.59%
Loans and advances:										
- performing	93,085	34,222	34,461	7,240	74,860	(1,669) *	242,199	-	242,199	9.00%
- non-performing	-	-	-	-	-	7,226	7,226	-	7,226	-
Clients' and brokers' balances	200,870	-	-	-	-	406,696	607,566	-	607,566	9.00%
Other assets ⁽¹⁾	3,302	1,841	-	-	-	297,786	302,929	-	302,929	2.51%
Total assets	1,249,437	353,553	34,461	17,348	74,860	805,845	2,535,504	854,929	3,390,433	
Liabilities										
Deposits from customers	538,621	100,527	1,000	40,000	-	-	680,148	-	680,148	3.29%
Deposits and placements of banks and other financial institutions	1,065,813	46,968	19,056	-	-	-	1,131,837	-	1,131,837	3.44%
Clients' and brokers' balances	70,419	-	-	-	-	206,240	276,659	-	276,659	2.97%
Other liabilities ⁽²⁾	204,694	-	-	-	-	88,045	292,739	-	292,739	3.13%
Borrowings	72,000	20,000	150,000	-	-	-	242,000	-	242,000	4.37%
Total liabilities	1,951,547	167,495	170,056	40,000	-	294,285	2,623,383	-	2,623,383	
Total equity	-	-	-	-	-	767,050	767,050	-	767,050	-
Total liabilities and equity	1,951,547	167,495	170,056	40,000	-	1,061,335	3,390,433	-	3,390,433	
On-balance sheet interest sensitivity gap	(702,110)	186,058	(135,595)	(22,652)	74,860	(255,490)	(854,929)	854,929	-	
Off-balance sheet interest sensitivity gap	-	(175,000)	238,000	787,000	-	-	850,000	-	850,000	
Total interest sensitivity gap	(702,110)	11,058	102,405	764,348	74,860	(255,490)	(4,929)	854,929	850,000	

⁽¹⁾ 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.

⁽²⁾ 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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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				
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⁾	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%
Other liabilities ⁽²⁾	203,173	-	-	-	-	115,928	319,101	-	319,101	2.98%
Borrowings	18,000	-	150,000	-	-	-	168,000	-	168,000	4.09%
Total liabilities	452,108	52,937	174,980	-	-	609,101	1,289,126	-	1,289,126	
Total equity	-	-	-	-	-	747,766	747,766	-	747,766	-
Total liabilities and equity	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	-	

⁽¹⁾ 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.

⁽²⁾ 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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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

6 months ended 31 January 2008	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 *	102,262	64,654	384	1,040	6,239	982	-	175,561
Inter-segment revenue	-	225	2,120	53,398	-	1,409	(57,152)	-
Total revenue	102,262	64,879	2,504	54,438	6,239	2,391	(57,152)	175,561
Results								
Segment results	46,267	3,294	2,046	43	319	(20)	357	52,306
Unallocated income								141
Unallocated expenses								(3,570)
								<u>48,877</u>
Share of results of jointly controlled entities, net of tax	-	48	-	(322)	-	-	-	(274)
Profit before taxation								48,603
Taxation								(11,694)
Profit for the financial period								<u>36,909</u>

* 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.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2008

A28. Segmental information (cont'd)

Primary reporting format - Business segment (cont'd)

6 months ended 31 January 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 *	81,961	47,264	432	597	2,320	566	-	133,140
Inter-segment revenue	-	31	2,121	16,984	-	690	(19,826)	-
Total revenue	81,961	47,295	2,553	17,581	2,320	1,256	(19,826)	133,140
Results								
Segment results	39,303	3,805	1,601	(1,577)	(2,591)	(76)	(238)	40,227
Unallocated income								148
Unallocated expenses								(271)
								40,104
Share of results of jointly controlled entities, net of tax	-	(85)	-	(210)	-	-	-	(295)
Profit before taxation								39,809
Taxation								(11,273)
Profit for the financial period								28,536

* 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.

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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 January 2008.

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 January 2008.

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 RM92 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.

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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

The Group achieved a total operating revenue of RM175.6 million for the first half of the financial year ended 31 January 2008, an increase of 31.9% over the previous corresponding financial period ended 31 January 2007. The operating revenue is primarily boosted by higher interest income and brokerage income, partially offset by the lower initial service charge earned from the unit trust management activities.

The Group's pretax profit for the six months ended 31 January 2008 of RM48.6 million is 22.1% higher as compared to the previous corresponding financial period ended 31 January 2007. This is mainly driven by higher brokerage and fee income reported by the investment banking subsidiary, offset by the increased allowance for losses on new loans and advances disbursed during the financial period under review and lower writeback of specific allowance for bad and doubtful margin receivables.

For the current financial quarter under review, the pretax profit of the Group declined by 18.3% to RM24.0 million against RM29.4 million for the previous corresponding financial quarter ended 31 January 2007. The reduction in earnings is primarily due to lower brokerage income and increase in personnel costs, partially cushioned by the increase in net interest income and fee income from the investment banking activities.

The investment banking subsidiary accounted for 82.6% (2007: 90.4%) and 79.2% (2007: 90.5%) of the Group's pretax profit for the first half of the financial year 2008 and current financial quarter respectively.

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 January 2008 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's pretax profit of RM24.0 million for the second quarter ended 31 January 2008 is marginally lower as compared to RM24.6 million reported for the immediate preceding quarter ended 31 October 2007. This is mainly due to the lower brokerage income for the current quarter, in tandem with the lower value traded on Bursa Malaysia Securities Berhad, coupled with higher personnel costs, partially offset by higher fee income and the marked-to-market gain on securities held-for-trading.

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B3. Commentary

(a) Current Year's Prospects

Global financial market conditions for the second half of the Company's financial year is expected to remain volatile and uncertain. This uncertainty will affect the performance of the regional and local financial markets. The implementation of negotiable brokerage rate for online trades and trades with cash upfront effective 1 January 2008 will affect the brokerage income.

The challenges of an uncertain financial market offer opportunities for our investment banking division. It will seek opportunities in trading, financial advisory and fund raising in restructuring infrastructure and project companies as well as providing bridging facilities to supplement capital market activities.

The Group's asset and fund management activities and money lending business are expected to continue to grow and contribute to the Group's profitability, albeit at a slower rate.

The Board of Directors expects the performance of the Group for the second half of the financial year to be satisfactory.

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

Not applicable.

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

Not applicable.

B5. Profit Forecast and Profit Guarantee

Not applicable.

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B6. Taxation

The analysis of the tax expense for the current quarter and financial period ended 31 January 2008 are as follows:

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jan-08 RM'000	3 months ended 31-Jan-07 RM'000	6 months ended 31-Jan-08 RM'000	6 months ended 31-Jan-07 RM'000
In respect of the current financial period:-				
Malaysian income tax	(6,051)	(7,991)	(12,482)	(11,053)
Deferred tax	(323)	(339)	774	(211)
	<u>(6,374)</u>	<u>(8,330)</u>	<u>(11,708)</u>	<u>(11,264)</u>
In respect of prior financial years:-				
Malaysian income tax	(79)	(9)	14	(9)
	<u>(6,453)</u>	<u>(8,339)</u>	<u>(11,694)</u>	<u>(11,273)</u>

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

The effective tax rate for the financial period ended 31 January 2008 is lower than the statutory tax rate due to certain income, mainly capital gains and dividend income which are not subject to tax. The effective tax rate for the current financial quarter is higher than the statutory tax rate mainly due to 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 January 2008 except for the Sale and Purchase Agreement dated 22 June 2007 and Deed of Settlement dated 7 September 2007 entered into by a subsidiary, HDM Properties Sdn. Bhd. with a third party for the disposal of a property for RM12,000,000. The sale was completed on 30 November 2007 and the gain on disposal of the said property amounted to RM386,000.

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:

	Current quarter ended 31-Jan-08 RM'000	Current quarter and financial period ended 31-Jan-08 RM'000
(i) Total Purchase Consideration	<u>4,333</u>	<u>14,369</u>
(ii) Total Sales Proceeds	<u>13,188</u>	<u>19,400</u>
(iii) Total Profit on Disposal	<u>1,445</u>	<u>3,243</u>

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B8. Purchase and Sales of Quoted Securities (continued)

- (b) Total investments in quoted securities held by the Group other than HDBSIB as at 31 January 2008 are as follows:

	RM'000
(i) At Cost	<u>25,446</u>
(ii) At Book Value	<u>23,275</u>
(iii) At Market Value	<u>23,275</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.

Application will be made to the relevant authorities in Vietnam for the establishment of the Newco and the necessary stockbroking licence. 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.

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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 or next repricing date (whichever is earlier) 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	80,725	80,725	-	-	-	-	-
- forward swaps	210,691	130,118	80,573	-	-	-	-
Interest rate related contracts:							
- futures contracts	2,688,000	-	90,000	74,000	492,000	2,032,000	1,637
- interest rate swaps	245,000	245,000	-	-	-	-	-
	3,224,416	455,843	170,573	74,000	492,000	2,032,000	1,637

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 of the Group, measured in terms of the cost to replace profitable contracts and based on the outstanding margin placed with the futures broker weighted by the relevant counterparty risk weights is RM4.4 million and RM0.8 million respectively (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. As at the balance sheet date, the amount of foreign exchange exposure which was not hedged and hence, exposed to market risk was RM29.4 million (At 31 July 2007: RM Nil), while the notional amount of interest rate contracts which were outstanding as at the balance sheet date amounted to RM1.83 billion (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). Fair values of exchange-traded derivatives are obtained from quoted market prices. Forward foreign exchange contracts are valued at forward rates as at balance sheet date applicable to their respective dates of maturity. Fair values of other over-the-counter derivatives are obtained using valuation techniques. 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.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2008

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 fixed before the court on 12 February 2008 for further submission and decision has been fixed for mention on 26 March 2008 pending written clarifications on issues raised in the written submission.
- (c) Claim filed by a client in May 2000 against HDBSIB for damages of RM130 million wherein the client alleged collusion to defraud him and mental suffering after HDBSIB commenced legal action against him in May 1998 to recover an outstanding sum of RM8.46 million has been consolidated with HDBSIB's claim against the client. 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.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2008

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>3 months ended</u> <u>31-Jan-08</u>	<u>3 months ended</u> <u>31-Jan-07</u>	<u>6 months ended</u> <u>31-Jan-08</u>	<u>6 months ended</u> <u>31-Jan-07</u>
Profit for the financial period attributable to equity holders of the Company (RM'000)	15,936	19,438	34,402	26,497
Weighted average number of ordinary shares in issue ('000)	255,146	253,888	255,049	253,790
Basic earnings per share (sen)	6.25	7.66	13.49	10.44
Profit for the financial period attributable to equity holders of the Company (RM'000)	15,936	19,438	34,402	26,497
Weighted average number of ordinary shares in issue ('000):				
- in issue during the financial period (as above)	255,146	253,888	255,049	253,790
- adjustment made for share options	307	542	328	494
	255,453	254,430	255,377	254,284
Diluted earnings per share (sen)	6.24	7.64	13.47	10.42

By Order of the Board

Chen Mun Peng
Tan Lee Peng
Company Secretaries

Penang
24 March 2008