

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED BALANCE SHEET AS AT 30 APRIL 2008

	Note	As at 30-Apr-08 RM'000	As at 31-Jul-07 RM'000
Assets			
Cash and short term funds		1,458,969	592,719
Deposits and placements with banks and other financial institutions		141,269	15,000
Securities held-for-trading	A8	1,088,530	12,549
Securities available-for-sale ("AFS")	A9	42,062	143,390
Loans, advances and financing	A10	437,245	284,515
Clients' and brokers' balances	A11	262,013	712,107
Other assets	A12	41,551	25,762
Statutory deposits with Bank Negara Malaysia		24,400	-
Tax recoverable		8,247	4,825
Deferred tax assets		2,038	1,051
Interests in jointly controlled entities		161	480
Property, plant and equipment		63,848	63,925
Investment properties		6,262	17,950
Intangible assets		162,619	162,619
Total assets		<u>3,739,214</u>	<u>2,036,892</u>
Liabilities			
Deposits from customers	A13	1,037,093	88,605
Deposits and placements of banks and other financial institutions	A14	1,089,646	174,502
Clients' and brokers' balances		325,530	538,918
Other liabilities	A15	268,314	313,455
Taxation		1,494	5,103
Deferred tax liabilities		557	543
Borrowings	A16	251,059	168,000
Total liabilities		<u>2,973,693</u>	<u>1,289,126</u>
Equity			
Share capital		265,845	265,559
Reserves		504,017	488,441
Treasury shares, at cost		(16,033)	(16,024)
		<u>753,829</u>	<u>737,976</u>
Minority interests		11,692	9,790
Total equity		<u>765,521</u>	<u>747,766</u>
Total liabilities and equity		<u>3,739,214</u>	<u>2,036,892</u>
Net assets per share (RM)		<u>2.95</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. Certain comparative figures have been restated in accordance with the Guidelines for Submission of Financial Institution Statistical System Reports version 3.5 Release 8 issued by Bank Negara Malaysia and to conform with current financial period's presentation.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2008

	Note	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
		3 months ended 30-Apr-08 RM'000	3 months ended 30-Apr-07 RM'000	9 months ended 30-Apr-08 RM'000	9 months ended 30-Apr-07 RM'000
Operating revenue		90,034	119,077	265,595	252,217
Interest income	A17	30,023	9,444	68,440	22,068
Interest expense	A18	(17,706)	(3,378)	(40,032)	(7,271)
Net interest income		12,317	6,066	28,408	14,797
Other operating income	A19	49,637	112,923	190,362	239,506
		61,954	118,989	218,770	254,303
Other operating expenses	A20	(48,160)	(76,679)	(153,710)	(171,238)
		13,794	42,310	65,060	83,065
(Allowance)/Write back of allowance for losses on loans, advances and financing	A21	(1,085)	(57)	(4,027)	(1,857)
(Allowance)/Write back of allowance for bad and doubtful debts on clients' balances	A22	(802)	519	(249)	1,670
		11,907	42,772	60,784	82,878
Share of results of jointly controlled entities, net of tax		(45)	(147)	(319)	(443)
Profit before taxation		11,862	42,625	60,465	82,435
Taxation	B6	(4,256)	(10,913)	(15,950)	(22,186)
Profit for the financial period		7,606	31,712	44,515	60,249
Attributable to:					
Equity holders of the Company		6,496	31,965	40,898	58,462
Minority interests		1,110	(253)	3,617	1,787
		7,606	31,712	44,515	60,249
Earnings per share attributable to equity holders of the Company (sen)	B14				
- Basic		2.55	12.57	16.03	23.02
- Fully diluted		2.54	12.53	16.01	22.97

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 APRIL 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	-	-	-	-	-	(3,863)	-	-	(3,863)	-	(3,863)
Net gain transferred to income statement on sale of securities AFS	-	-	-	-	-	(3,080)	-	-	(3,080)	-	(3,080)
Net loss recognised directly in equity	-	-	-	-	-	(6,943)	-	-	(6,943)	-	(6,943)
Profit for the financial period	-	-	-	-	-	-	-	40,898	40,898	3,617	44,515
Total recognised income and expenses for the financial period	-	-	-	-	-	(6,943)	-	40,898	33,955	3,617	37,572
Shares repurchased held as treasury shares at cost	(5)	-	(9)	-	-	-	-	-	(9)	-	(9)
Issue of options	-	-	-	-	-	-	192	-	192	-	192
Options exercised	286	286	-	206	-	-	(23)	-	469	-	469
Transfer of options reserve to retained profits	-	-	-	-	-	-	(20)	20	-	-	-
Interim dividend for the financial year ending 31 July 2008	-	-	-	-	-	-	-	(9,441)	(9,441)	-	(9,441)
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 30 April 2008	255,178	265,845	(16,033)	33,090	37,926	947	469	431,585	753,829	11,692	765,521

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 30 APRIL 2008

Attributable to Equity Holders of the Company

	Issued and fully paid ordinary shares of RM1 each									
	Number of shares '000	Nominal value RM'000	Treasury shares RM'000	Share premium RM'000	AFS reserve RM'000	Options reserve RM'000	Retained profits RM'000	Total RM'000	Minority interests RM'000	Total equity 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	-	-	-	-	11,305	-	-	11,305	-	11,305
Net gain transferred to income statement on sale of securities AFS	-	-	-	-	(1,793)	-	-	(1,793)	-	(1,793)
Net gain recognised directly in equity	-	-	-	-	9,512	-	-	9,512	-	9,512
Profit for the financial period	-	-	-	-	-	-	58,462	58,462	1,787	60,249
Total recognised income and expenses for the financial period	-	-	-	-	9,512	-	58,462	67,974	1,787	69,761
Shares repurchased held as treasury shares at cost	(635)	-	(999)	-	-	-	-	(999)	-	(999)
Issue of options	-	-	-	-	-	409	-	409	-	409
Option exercised	1,161	1,161	-	588	-	(14)	-	1,735	-	1,735
Interim dividend for the financial year ended 31 July 2007	-	-	-	-	-	-	(9,294)	(9,294)	-	(9,294)
Final dividend for the financial year ended 31 July 2006	-	-	-	-	-	-	(9,140)	(9,140)	-	(9,140)
Dividend paid by a subsidiary to minority interests	-	-	-	-	-	-	-	-	(1,354)	(1,354)
At 30 April 2007	254,664	265,326	(16,024)	32,602	7,701	395	428,176	718,176	8,398	726,574

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 30 APRIL 2008

	9 months ended 30-Apr-08 RM'000	9 months ended 30-Apr-07 RM'000
Profit for the financial period	44,515	60,249
Adjustments for:		
Non-cash items	44,605	33,198
Non-operating items - investing	(11,902)	(2,233)
Non-operating items - financing	7,304	7,271
	84,522	98,485
Changes in working capital:		
Net changes in operating assets	(946,999)	(563,387)
Net changes in operating liabilities	1,565,073	658,293
	702,596	193,391
Interest paid	(30,666)	-
Tax paid	(23,316)	(2,736)
Net operating cash flow	648,614	190,655
Investing activities		
Net sale of securities	96,704	-
Interest received from securities	6,527	-
Dividends received	2,288	947
Contribution to the Government of Malaysia for a merchant bank licence	-	(42,500)
Subscription of ordinary shares in a jointly controlled entity	-	(442)
(Purchase)/Proceeds from disposal of other investments	(100)	18
Proceeds from disposal of an investment property	9,800	-
Property, plant and equipment	(5,703)	(6,144)
Net investing cash flow	109,516	(48,121)
Financing activities		
Dividend paid by a subsidiary to minority interests	(1,715)	(1,354)
Dividend paid	(9,313)	(9,140)
Interest paid	(2,748)	(5,412)
Net drawdown of borrowings	83,000	14,000
Issue of shares	469	1,735
Shares repurchased	(9)	(999)
Net financing cash flow	69,684	(1,170)
Net change in cash and cash equivalents	827,814	141,364
Cash and cash equivalents at beginning of the financial period	339,942	265,601
Cash and cash equivalents at end of the financial period	1,167,756	406,965
Cash and cash equivalents at end of the financial period comprise:		
Cash and short term funds	1,167,815	407,173
Bank overdrafts (Book)	(59)	(208)
	1,167,756	406,965

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2007. Certain comparative figures have been restated in accordance with the Guidelines for Submission of Financial Institution Statistical System Reports version 3.5 Release 8 issued by Bank Negara Malaysia and to conform with current financial period's presentation.

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 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") 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:

- (a) 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.

- (b) Guidelines for Submission of Financial Institution Statistical System Reports issued by Bank Negara Malaysia

In accordance with the Guidelines for Submission of Financial Institution Statistical System Reports Reports version 3.5 Release 8 ("FISS") issued by BNM which are applicable to the investment banking subsidiary, amount due from share margin financing accounts is now classified as Loans, advances and financing. Previously, the margin financing balances were classified as Clients' and brokers' balances (Dr.). The following comparative figures have been restated to conform with current financial period's presentation:

<u>Group</u>	As previously reported	Reclassi- -fications	As restated
	RM'000	RM'000	RM'000
Consolidated balance sheet as at 31 July 2007			
Loans, advances and financing	75,793	208,722	284,515
Clients' and brokers' balances (Dr.)	<u>920,829</u>	<u>(208,722)</u>	<u>712,107</u>
	<u>996,622</u>	<u>-</u>	<u>996,622</u>
Consolidated income statement for the financial period ended 30 April 2007			
(Allowance)/Write back of allowance for losses on loans, advances and financing	(2,734)	877	(1,857)
(Allowance)/Write back of allowance for bad and doubtful debts on clients' balances	<u>2,547</u>	<u>(877)</u>	<u>1,670</u>

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.

HWANG-DBS (MALAYSIA) BERHAD
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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2008

A3. Seasonal or Cyclical Factors

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

A4. Exceptional Items

There are no exceptional items for the current quarter and financial period ended 30 April 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 30 April 2008 as compared with the prior financial period.

A6. Debts and Equity Securities

There are no issuance, cancellations, repurchase, resale and repayments of debt and equity securities for the financial period ended 30 April 2008 except for the following:

- (a) the Company has issued 286,000 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 30 April 2008 amounted to RM468,400. 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
1.52	11,000
2.29	40,000
	<u><u>286,000</u></u>

- (b) The Company has purchased back 5,000 ordinary shares of RM1 each for cash from the open market at an average price of RM1.80 per share. The share buy-back transactions were financed by internally generated funds. The shares purchased are being held as treasury shares. Details of the share buy-back are as follows:

Month	Number of Shares Purchased	Highest Price RM	Lower Price RM	Average Price RM	Total Amount RM
March 2008	<u><u>5,000</u></u>	1.79	1.79	1.80	<u><u>9,015</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.

An interim dividend of 5.0 sen per ordinary share, less 26% income tax, amounting to RM9,441,582 in respect of the current financial year ending 31 July 2008 was paid on 15 May 2008. (Previous financial year ended 31 July 2007: Interim dividend of 5.0 sen per ordinary share, less 27% income tax).

HWANG-DBS (MALAYSIA) BERHAD
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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2008

A8. Securities Held-For-Trading

	As at 30-Apr-08 RM'000	As at 31-Jul-07 RM'000
At fair value		
Malaysian Government Securities	20,100	-
Negotiable instruments of deposits	219,997	-
Bankers' acceptances	95,524	-
Private and Islamic debt securities	727,481	-
	<u>1,063,102</u>	<u>-</u>
Quoted in Malaysia:		
Shares and warrants	21,261	5,604
Loan stocks	1,741	1,950
Unit trusts	2,426	4,995
	<u>1,088,530</u>	<u>12,549</u>

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

	As at 30-Apr-08 RM'000	As at 31-Jul-07 RM'000
At fair value		
Malaysian Government Securities	10,093	10,105
Malaysian Government Treasury Bills	-	29,883
Bankers' acceptances	-	63,008
	<u>10,093</u>	<u>102,996</u>
Quoted in Malaysia:		
Shares and warrants *	22,731	29,850
Unit trusts	8,748	10,054
	<u>41,572</u>	<u>142,900</u>
At cost		
Unquoted:		
Shares	4,490	4,490
	<u>46,062</u>	<u>147,390</u>
Accumulated impairment losses	(4,000)	(4,000)
	<u>42,062</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, which is given the discretionary powers within certain guidelines to invest the funds amounting to RM22.7 million as at 30 April 2008 (As at 31 July 2007: RM27.9 million).

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2008

A10. Loans, Advances and Financing

	As at 30-Apr-08 RM'000	As at 31-Jul-07 RM'000
(a) By Type		
Term loans		
- bridging loans	51,094	10,052
- other term loans	301,184	85,576
Share margin financing	162,267	216,512
Other financing	30,000	-
	544,545	312,140
Unearned interest	(92,509)	(12,626)
	452,036	299,514
Allowance for losses on loans, advances and financing:		
- general	(5,841)	(3,262)
- specific	(8,950)	(11,737)
Net loans, advances and financing	437,245	284,515
(b) By Type of Customer		
Domestic business enterprises		
- others	151,685	80,389
Individuals	178,026	200,603
Other domestic entities	107,390	13,845
Foreign entities	14,935	4,677
	452,036	299,514
(c) By Interest Rate Sensitivity		
Fixed rate		
- other fixed rate loans/financing	330,847	289,462
Variable rate		
- cost-plus	121,189	10,052
	452,036	299,514
(d) By Purpose		
Purchase of landed properties		
- non-residential	25,893	-
Purchase of securities	238,894	253,143
Personal use	138,798	29,783
Working capital	48,451	16,588
	452,036	299,514

HWANG-DBS (MALAYSIA) BERHAD
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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2008

A10. Loans, Advances and Financing (cont'd)

	As at 30-Apr-08 RM'000	As at 31-Jul-07 RM'000
(e) Movements in Non-Performing Loans, Advances and Financing ("NPLs")		
At beginning of the financial period	22,141	25,890
Classified as non-performing during the financial period	5,340	36,363
Reclassified as performing during the financial period	(506)	(33,671)
Amount recovered	(5,797)	(4,682)
Amount written off	(4,235)	(2,728)
Others	1,249	969
At end of the financial period	<u>18,192</u>	<u>22,141</u>
Less: Specific allowance	<u>(8,950)</u>	<u>(11,737)</u>
Net NPLs	<u>9,242</u>	<u>10,404</u>
Net NPLs as a % of gross loans, advances and financing less specific allowance	<u>2.1%</u>	<u>3.6%</u>
(f) NPLs by Purpose		
Purchase of securities	16,990	21,182
Personal use	243	-
Working capital	959	959
	<u>18,192</u>	<u>22,141</u>
(g) Movements in Allowance for Losses on Loans, Advances and Financing		
<u>General Allowance</u>		
At beginning of the financial period	3,262	1,480
Allowance made	2,579	1,782
At end of the financial period	<u>5,841</u>	<u>3,262</u>
As a % of gross loans, advances and financing less specific allowance	<u>1.3%</u>	<u>1.1%</u>
<u>Specific Allowance</u>		
At beginning of the financial period	11,737	13,593
Allowance made	1,762	2,768
Amount written back	(314)	(1,896)
Amount written off	(4,235)	(2,728)
At end of the financial period	<u>8,950</u>	<u>11,737</u>

HWANG-DBS (MALAYSIA) BERHAD
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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2008

A11. Clients' and Brokers' Balances

	As at 30-Apr-08	As at 31-Jul-07
Clients' and brokers' balances, net of allowance for bad and doubtful debts	262,013	712,107

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

General Allowance

At beginning of the financial period	129	107
Allowance (written back)/made	(35)	22
At end of the financial period	94	129

Specific Allowance

At beginning of the financial period	12,402	25,633
Allowance made	1,144	701
Amount written back	(851)	(3,009)
Amount written off	-	(10,923)
At end of the financial period	12,695	12,402

A12. Other Assets

	As at 30-Apr-08 RM'000	As at 31-Jul-07 RM'000
Trade receivables, net of allowance for doubtful debts of RM319,000 (2007: RM319,000)	7,143	9,715
Interest receivable	8,710	434
Derivative assets	7,479	3
Clearing Guarantee Fund	1,856	1,816
Clearing Fund	1,000	1,000
Other receivables, deposits and prepayments	12,457	9,988
Other investments	2,906	2,806
	41,551	25,762

A13. Deposits from Customers

	As at 30-Apr-08 RM'000	As at 31-Jul-07 RM'000
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Group

(a) By Type of Deposit

Fixed deposits	996,893	88,605
Negotiable instruments of deposits	40,200	-
	1,037,093	88,605

(b) By Type of Customer

Government and statutory bodies	100,000	-
Business enterprises	893,875	87,597
Individuals	42,700	503
Others	518	505
	1,037,093	88,605

HWANG-DBS (MALAYSIA) BERHAD
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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2008

A14. Deposits and Placements of Banks and Other Financial Institutions

	As at 30-Apr-08 RM'000	As at 31-Jul-07 RM'000
Licensed banks	117,032	14,300
Licensed investment banks	20,000	20,000
Other financial institutions	952,614	140,202
	<u>1,089,646</u>	<u>174,502</u>

A15. Other Liabilities

	As at 30-Apr-08 RM'000	As at 31-Jul-07 RM'000
Trade payables	19,674	32,362
Interest payable	8,580	1,875
Derivative liabilities	3,412	71
Dividend payable	9,441	-
Other payables and accruals	227,207	279,147
	<u>268,314</u>	<u>313,455</u>

A16. Borrowings

(a) Borrowings of the Group as at 30 April 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 RM101 million are covered by corporate guarantees issued by the Company for its subsidiaries.

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

	As at 30-Apr-08 RM'000	As at 31-Jul-07 RM'000
Short term borrowings		
Revolving credits	251,000	168,000
Bank overdraft (Book)	59	-
	<u>251,059</u>	<u>168,000</u>
Long term borrowings	<u>-</u>	<u>-</u>
Total borrowings	<u>251,059</u>	<u>168,000</u>

(c) All borrowings are denominated in Ringgit Malaysia.

HWANG-DBS (MALAYSIA) BERHAD
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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2008

A17. Interest Income

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 30-Apr-08 RM'000	3 months ended 30-Apr-07 RM'000	9 months ended 30-Apr-08 RM'000	9 months ended 30-Apr-07 RM'000
Loans, advances and financing				
- Interest income other than recoveries from NPLs	9,085	5,646	22,548	16,960
- Recoveries from NPLs	10	2,142	383	2,500
Money at call and deposit placements with financial institutions	10,952	1,088	19,235	3,965
Securities:				
- held-for-trading	8,720	174	18,492	174
- AFS	320	477	5,300	1,762
- held-to-maturity	412	95	1,227	95
Others	714	782	2,227	1,428
	<u>30,213</u>	<u>10,404</u>	<u>69,412</u>	<u>26,884</u>
Amortisation of premium less accretion of discount	(64)	(20)	(434)	(103)
Interest suspended	(126)	(940)	(538)	(4,713)
	<u>30,023</u>	<u>9,444</u>	<u>68,440</u>	<u>22,068</u>

A18. Interest Expense

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 30-Apr-08 RM'000	3 months ended 30-Apr-07 RM'000	9 months ended 30-Apr-08 RM'000	9 months ended 30-Apr-07 RM'000
Deposits and placements of banks and other financial institutions	(9,782)	(721)	(20,934)	(721)
Deposits from customers	(5,060)	(317)	(10,986)	(317)
Obligations on securities sold under repurchase agreements	-	(56)	-	(56)
Borrowings	(2,685)	(1,904)	(7,304)	(5,489)
Others	(179)	(380)	(808)	(688)
	<u>(17,706)</u>	<u>(3,378)</u>	<u>(40,032)</u>	<u>(7,271)</u>

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2008

A19. Other Operating Income

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 30-Apr-08 RM'000	3 months ended 30-Apr-07 RM'000	9 months ended 30-Apr-08 RM'000	9 months ended 30-Apr-07 RM'000
Fee and commission income:				
Brokerage	25,387	66,111	105,202	131,021
Unit trust management and incentive fees	9,536	6,829	31,761	22,299
Advisory and arranger fees	1,128	1,025	8,048	3,680
Underwriting commission and placement income	252	82	898	152
Service charges and fees	237	152	1,087	820
Other fees	1,610	616	5,815	1,783
	<u>38,150</u>	<u>74,815</u>	<u>152,811</u>	<u>159,755</u>
Net gain/(loss) arising from sale of:				
- securities held-for-trading	8,496	6,078	13,317	11,329
- derivatives	638	-	1,705	-
- securities AFS	(162)	2,405	2,671	4,400
	<u>8,972</u>	<u>8,483</u>	<u>17,693</u>	<u>15,729</u>
Net unrealised gain/(loss) on revaluation of:				
- securities held-for-trading	(5,698)	3,522	(3,516)	6,265
- derivatives	2,785	-	5,156	-
	<u>(2,913)</u>	<u>3,522</u>	<u>1,640</u>	<u>6,265</u>
Gross dividends from securities:				
- held-for-trading	487	44	668	534
- AFS	131	102	1,917	1,734
	<u>618</u>	<u>146</u>	<u>2,585</u>	<u>2,268</u>
Other income:				
Initial service charge	3,050	24,986	14,004	52,590
Net foreign exchange gain/(loss):				
- realised	1,142	426	1,918	1,071
- unrealised	93	-	(2,609)	-
Rental Income	143	211	527	642
Others	382	334	1,793	1,186
	<u>4,810</u>	<u>25,957</u>	<u>15,633</u>	<u>55,489</u>
Total	<u>49,637</u>	<u>112,923</u>	<u>190,362</u>	<u>239,506</u>

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A20. Other Operating Expenses

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 30-Apr-08 RM'000	3 months ended 30-Apr-07 RM'000	9 months ended 30-Apr-08 RM'000	9 months ended 30-Apr-07 RM'000
Personnel costs:				
- Salaries, allowances and bonuses	(18,295)	(18,240)	(54,406)	(40,493)
- Contributions to a defined contribution plan	(2,729)	(2,375)	(7,785)	(5,423)
- Others	(3,719)	(6,575)	(13,373)	(16,085)
	<u>(24,743)</u>	<u>(27,190)</u>	<u>(75,564)</u>	<u>(62,001)</u>
Establishment related costs:				
- Depreciation	(2,225)	(6,586)	(6,613)	(10,543)
- Rental of premises	(906)	(786)	(2,626)	(2,250)
- Rental of equipment	(708)	(794)	(2,149)	(2,315)
- Repairs and maintenance of premises and equipment	(271)	(317)	(945)	(805)
- Information technology expenses	(518)	(372)	(1,355)	(1,133)
- Others	(959)	(903)	(2,897)	(2,763)
	<u>(5,587)</u>	<u>(9,758)</u>	<u>(16,585)</u>	<u>(19,809)</u>
Promotion and marketing related expenses:				
- Promotion and business development	(3,358)	(4,717)	(10,877)	(8,639)
- Travelling and accommodation	(227)	(183)	(649)	(583)
- Others	(1,055)	(1,444)	(4,084)	(5,219)
	<u>(4,640)</u>	<u>(6,344)</u>	<u>(15,610)</u>	<u>(14,441)</u>
Administrative and general expenses:				
- Professional and consultancy fees	(372)	(637)	(1,545)	(2,064)
- Communication expenses	(1,121)	(1,329)	(3,329)	(3,328)
- Incentives and commission	(5,483)	(26,438)	(22,736)	(56,083)
- Regulatory charges	(2,369)	(3,510)	(7,578)	(7,139)
- Commission on standby letter of credit	(263)	(262)	(790)	(788)
- Others	(3,582)	(1,211)	(9,973)	(5,585)
	<u>(13,190)</u>	<u>(33,387)</u>	<u>(45,951)</u>	<u>(74,987)</u>
Total	<u>(48,160)</u>	<u>(76,679)</u>	<u>(153,710)</u>	<u>(171,238)</u>

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A21. (Allowance)/Write Back of Allowance for Losses on Loans, Advances and Financing

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 30-Apr-08 RM'000	3 months ended 30-Apr-07 RM'000	9 months ended 30-Apr-08 RM'000	9 months ended 30-Apr-07 RM'000
Allowance for bad and doubtful debts:				
Specific allowance				
- made during the financial period	(1,308)	(173)	(1,762)	(2,071)
- written back	406	91	314	1,726
	<u>(902)</u>	<u>(82)</u>	<u>(1,448)</u>	<u>(345)</u>
General allowance				
- (made)/written back during the financial period	(183)	25	(2,579)	(1,512)
	<u>(1,085)</u>	<u>(57)</u>	<u>(4,027)</u>	<u>(1,857)</u>

A22. (Allowance)/Write Back of Allowance for Bad and Doubtful Debts on Clients' Balances

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 30-Apr-08 RM'000	3 months ended 30-Apr-07 RM'000	9 months ended 30-Apr-08 RM'000	9 months ended 30-Apr-07 RM'000
Allowance for bad and doubtful debts:				
Specific allowance				
- made during the financial period	(1,088)	(87)	(1,144)	(637)
- written back	142	962	851	2,520
	<u>(946)</u>	<u>875</u>	<u>(293)</u>	<u>1,883</u>
General allowance				
- written back/(made) during the financial period	144	(76)	35	(86)
Bad debts:				
- recovered	-	-	9	153
- written off	-	(280)	-	(280)
	<u>(802)</u>	<u>519</u>	<u>(249)</u>	<u>1,670</u>

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A23. Commitments and Contingencies

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

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

	As at 30-Apr-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	31,588	31,588	31,588	-	-	-
Commitments to extend credits with maturity of less than 1 year:						
- margin	340,277	-	-	246,212	-	-
- term loans	139,230	-	-	10,000	-	-
Foreign exchange related contracts:						
- less than 1 year	243,292	66	19	17,149	3	1
Interest rate related contracts:						
- less than 1 year	571,000	99	49	-	-	-
- 1 year to less than 5 years	2,946,516	65,407	13,261	-	-	-
- 5 years and above	221,113	42,987	8,597	-	-	-
Equity related contracts:						
- less than 1 year	471	44	9	-	-	-
	4,493,487	140,191	53,523	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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A24. Other Commitments

	As at 30-Apr-08 RM'000	As at 31-Jul-07 RM'000
Capital expenditure commitments	16,545	19,860
Non-cancellable operating lease commitments	8,513	10,240
Committed capital in DBS HDM Capital Sdn. Bhd. ("DHC") in accordance with the Subscription Agreements between the Company and DHC	<u>23,766</u>	<u>23,766</u>
	<u>48,824</u>	<u>53,866</u>

A25. Capital Adequacy

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

	As at 30-Apr-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	<u>234</u>	<u>234</u>
	728,514	765,014
Less:		
Deferred tax assets	(1,291)	(825)
Goodwill	<u>(110,002)</u>	<u>(110,002)</u>
Total Tier I capital	<u>617,221</u>	<u>654,187</u>
<u>Tier II capital</u>		
General allowance for bad and doubtful debts	<u>4,191</u>	<u>2,388</u>
Total Tier II capital	<u>4,191</u>	<u>2,388</u>
Total capital	621,412	656,575
Less: Investment in subsidiaries	<u>(3,081)</u>	<u>(3,081)</u>
Capital base	<u>618,331</u>	<u>653,494</u>
Core capital ratio	30.8%	55.4%
Risk-weighted capital ratio	30.9%	55.4%
Core capital ratio (net of proposed dividend)	30.8%	52.3%
Risk-weighted capital ratio (net of proposed dividend)	30.9%	52.3%

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A26. 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 30 April 2008										
Assets										
Cash and short term funds	1,382,889	-	-	-	-	76,080	1,458,969	-	1,458,969	3.37%
Deposit and placements with banks and other financial institutions	-	109,681	31,588	-	-	-	141,269	-	141,269	3.27%
Securities held-for-trading	-	-	-	-	-	-	-	1,088,530	1,088,530	-
Securities AFS	-	-	-	10,093	-	31,969	42,062	-	42,062	3.69%
Loans, advances and financing:										
- performing	239,983	68,325	18,224	9,182	98,130	(5,841) *	428,003	-	428,003	9.86%
- non-performing	-	-	-	-	-	9,242	9,242	-	9,242	-
Clients' and brokers' balances	3,009	-	-	-	-	259,004	262,013	-	262,013	9.00%
Other assets ⁽¹⁾	4,101	1,856	-	-	-	303,169	309,126	-	309,126	2.28%
Total assets	1,629,982	179,862	49,812	19,275	98,130	673,623	2,650,684	1,088,530	3,739,214	
Liabilities										
Deposits from customers	976,093	20,500	500	40,000	-	-	1,037,093	-	1,037,093	3.44%
Deposits and placements of banks and other financial institutions	961,480	65,848	62,318	-	-	-	1,089,646	-	1,089,646	3.36%
Clients' and brokers' balances	97,061	-	-	-	-	228,469	325,530	-	325,530	2.89%
Other liabilities ⁽²⁾	175,926	-	-	-	-	94,439	270,365	-	270,365	3.10%
Borrowings	47,000	204,000	-	-	-	59	251,059	-	251,059	4.36%
Total liabilities	2,257,560	290,348	62,818	40,000	-	322,967	2,973,693	-	2,973,693	
Total equity	-	-	-	-	-	765,521	765,521	-	765,521	-
Total liabilities and equity	2,257,560	290,348	62,818	40,000	-	1,088,488	3,739,214	-	3,739,214	
On-balance sheet interest sensitivity gap	(627,578)	(110,486)	(13,006)	(20,725)	98,130	(414,865)	(1,088,530)	1,088,530	-	
Off-balance sheet interest sensitivity gap	25,000	(276,856)	425,985	(693,016)	(221,113)	-	(740,000)	-	(740,000)	
Total interest sensitivity gap	(602,578)	(387,342)	412,979	(713,741)	(122,983)	(414,865)	(1,828,530)	1,088,530	(740,000)	

⁽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, advances and financing, 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, advances and financing.

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A26. 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, advances and financing:										
- performing	216,189	3,154	44,192	1,062	12,776	(2,259) *	275,114	-	275,114	8.68%
- non-performing	-	-	-	-	-	9,401	9,401	-	9,401	-
Clients' and brokers' balances	1,838	-	-	-	-	710,269	712,107	-	712,107	9.00%
Other assets ⁽¹⁾	1,000	1,816	-	-	-	273,796	276,612	-	276,612	2.74%
Total assets	732,949	67,834	44,192	11,167	12,776	1,155,425	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	280,841	14,897	(130,788)	11,167	12,776	(201,442)	(12,549)	12,549	-	
Total interest sensitivity gap	280,841	14,897	(130,788)	11,167	12,776	(201,442)	(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, advances and financing, 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, advances and financing.

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A27. 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

9 months ended 30 April 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 *	131,985	119,312	527	1,403	10,958	1,410	-	265,595
Inter-segment revenue	-	782	3,182	53,058	-	2,015	(59,037)	-
Total revenue	131,985	120,094	3,709	54,461	10,958	3,425	(59,037)	265,595
Results								
Segment results	56,858	4,905	2,876	(1,399)	637	(106)	739	64,510
Unallocated income								197
Unallocated expenses								(3,923)
								<u>60,784</u>
Share of results of jointly controlled entities, net of tax		4		(323)				(319)
Profit before taxation								60,465
Taxation								(15,950)
Profit for the financial period								<u>44,515</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 30 APRIL 2008

A27. Segmental information (cont'd)

Primary reporting format - Business segment (cont'd)

9 months ended 30 April 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 *	164,325	79,896	642	747	5,747	860	-	252,217
Inter-segment revenue	-	50	3,150	17,423	-	1,045	(21,668)	-
Total revenue	164,325	79,946	3,792	18,170	5,747	1,905	(21,668)	252,217
Results								
Segment results	83,360	762	2,834	(1,444)	(523)	(146)	(1,591)	83,252
Unallocated income								38
Unallocated expenses								(412)
								<u>82,878</u>
Share of results of jointly controlled entities, net of tax		(76)		(367)				(443)
Profit before taxation								<u>82,435</u>
Taxation								(22,186)
Profit for the financial period								<u>60,249</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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A28. Valuation of Property, Plant and Equipment

Not applicable.

A29. Subsequent Events

There are no material events subsequent to the end of the financial period ended 30 April 2008 except for the following:

- (a) on 30 May 2008, the Company entered into Share Sale Agreements with DBS Nominees (Private) Limited and DBS Bank Ltd. to acquire from DBS Nominees (Private) Limited the following remaining equity interests in the Company's jointly controlled entities:
 - (i) 50% equity interests in DBS HDM Capital Sdn. Bhd. ("DHC"), comprising 25,000 ordinary shares of RM0.10 each and 249,750 redeemable convertible preference shares of RM0.01 each for a total cash consideration of RM1; and
 - (ii) 50% equity interests in DBS HDM Capital Management Sdn. Bhd. ("DHCM"), comprising 200,000 ordinary shares of RM1 each for a cash consideration of RM126,909.

At the date of this announcement, the Share Sale Agreements are subject to approval from the relevant authorities and are still pending completion. Upon completion of the Share Sale Agreements, the Company's equity interests in DHC and DHCM will increase from 50% to 100% and DHC and DHCM will become the wholly-owned subsidiaries of the Company.

- (b) on 8 May 2008, the Company entered into an Amended and Restated Investment and Shareholders Agreement in respect of the Company's proposal to establish a joint venture stockbroking company in Vietnam ("Newco"). The said agreement reflected the change in shareholding of the individual shareholders. The Company's proposed shareholding of 49% in the Newco remains unchanged. Please refer to explanatory note B9 for further details.

A30. Changes in the Composition of the Group

There are no changes in the composition of the Group for the current quarter and financial period ended 30 April 2008.

A31. Changes in Contingent Liabilities or Contingent Assets

Please refer to explanatory note A23.

A32. 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's operating revenue increased to RM265.6 million for the nine months ended 30 April 2008 from RM252.2 million for the previous corresponding period ended 30 April 2007. The increase in revenue is mainly contributed by the higher interest income and fee based income generated by the investment banking division as well as the higher commission revenue generated by the Group's futures activities and higher interest income from the consumer financing business. The increase in revenue is however, offset by reduction in brokerage income and initial service charge from the stockbroking and asset management activities respectively.

On a quarter-on-quarter basis, the Group's operating revenue decreased by 24.4% from RM119.1 million to RM90.0 million, mainly due to lower contributions from the stockbroking and unit trusts management businesses.

Despite the increase in operating revenue for the nine months ended 30 April 2008, the Group's pretax profit decreased by 26.6% to RM60.5 million compared to RM82.4 million for the financial period ended 30 April 2007. The lower profitability is mainly due to reduction in stockbroking brokerage income on the back of lower value traded in Bursa Malaysia Securities Berhad as well as lower initial service charge from the unit trusts management subsidiary coupled with net unrealised loss on valuation of securities and higher general allowance made in line with increase in quantum of corporate and consumer loans released. The reduction is however offset by increase in net interest income.

The investment banking subsidiary is the main contributor to the Group's profitability accounting for 80.6% (2007: 92.9%) of the Group's pretax profit for the nine months ended 30 April 2008, followed by HwangDBS Investment Management Berhad at 17.7% (2007: 6.9%). The other operating subsidiaries, HDM Futures Sdn. Bhd. and HDM Capital Sdn. Bhd. made up 3.3% and 1.1% of the Group's pretax profit for the current financial period. The higher contribution from unit trusts and fund management activities is mainly attributable to increase in number of funds managed. As at 30 April 2008, the total assets under management of HDBSIM stand at RM6.4 billion.

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 30 April 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 reported a 50.5% drop in pretax profit from RM24.0 million in the second quarter to RM11.9 million in the current quarter of the financial year. The significant reduction in earnings is largely attributable to lower overall fees and brokerage income coupled with net unrealised loss arising from marked-to-market of securities held-for-trading.

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B3. Commentary

(a) Current Year's Prospects

The fallout of the subprime loan crisis and inflationary pressures driven by increasing fuel and commodity prices are expected to continue to generate pressure on the global financial markets. These uncertainties will have an impact on the local equity and capital markets in which the Group operates.

Market activities in the local bourse have slowed down amidst lower trading volume and finer brokerage rates since January 2008 and the Group anticipates that the profit contribution from the equity activities will be under pressure in the remaining quarter of the financial year.

However, although the global capital markets are expected to remain volatile, the Group is seeing encouraging growth momentum from its treasury and derivatives business as well as the capital markets activities, with increasing asset and deposit portfolios. The investment banking division as well as the consumer financing activities and asset management business are growing as planned and will contribute to the profitability of the Group.

Barring unforeseen circumstances, the Board of Directors is confident that the Group will turn in a satisfactory performance for the last quarter of the financial year ending 31 July 2008.

(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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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2008

B6. Taxation

The analysis of the tax expense for the current quarter and financial period ended 30 April 2008 are as follows:

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>3 months ended</u> <u>30-Apr-08</u> <u>RM'000</u>	<u>3 months ended</u> <u>30-Apr-07</u> <u>RM'000</u>	<u>9 months ended</u> <u>30-Apr-08</u> <u>RM'000</u>	<u>9 months ended</u> <u>30-Apr-07</u> <u>RM'000</u>
In respect of the current financial period:-				
Malaysian income tax	(4,160)	(13,572)	(16,642)	(24,625)
Deferred tax	(137)	2,368	637	2,157
	<u>(4,297)</u>	<u>(11,204)</u>	<u>(16,005)</u>	<u>(22,468)</u>
In respect of prior financial years:-				
Malaysian income tax	46	296	60	287
Deferred tax	(5)	-	(5)	-
Real property gains tax	-	(5)	-	(5)
	<u>(4,256)</u>	<u>(10,913)</u>	<u>(15,950)</u>	<u>(22,186)</u>

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

The effective tax rate for the quarter ended 30 April 2008 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 30 April 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/(loss) arising therefrom are as follows:

	<u>Current quarter ended</u> <u>30-Apr-08</u> <u>RM'000</u>	<u>Financial period ended</u> <u>30-Apr-08</u> <u>RM'000</u>
(i) Total Purchase Consideration	<u>9,074</u>	<u>23,443</u>
(ii) Total Sales Proceeds	<u>7,097</u>	<u>26,497</u>
(iii) Total Profit/(Loss) on Disposal	<u>(175)</u>	<u>3,068</u>

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2008

B8. Purchase and Sales of Quoted Securities (continued)

- (b) Total investments in quoted securities held by the Group other than HDBSIB as at 30 April 2008 are as follows:

	RM'000
(i) At Cost	<u>26,557</u>
(ii) At Book Value	<u>25,111</u>
(iii) At Market Value	<u>25,111</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.

On 28 March 2008, the Company has entered into an Investment and Shareholders Agreement ("ISA") to establish a stockbroking company in Vietnam under the name of HwangDBS Securities (Vietnam) Joint Stock Company ("Newco") with Prudential and 2 individuals, namely Mr. Tran Phuoc Thien Henri ("Mr. Henri") and Mr. Pham Anh Nam ("Mr. Pham Nam") with the shareholding structure of the Newco as follows: the Company (49%), Prudential (40%), Mr. Henri (6%) and Mr. Pham Nam (5%). The 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.

On 8 May 2008, the Company entered into an Amended and Restated ISA to reflect the change in shareholding of the individual shareholders. However, the Company's proposed shareholding of 49% in the Newco remains unchanged.

An application has been made to the State Securities Commission ("SSC") of Vietnam on 31 March 2008 for the establishment of the Newco and the licence to operate the Newco as a stockbroking company. The application is currently pending approval of SSC. Subject to the approval of the SSC, the Newco will be principally conducting stockbroking and advisory operations, underwriting, custodian services and such other securities related activities as may be permitted by SSC.

B10. Group Borrowings and Debt Securities

Please refer to explanatory note A16.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2008

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	180,117	180,117	-	-	-	-	-
- forward swaps	63,175	63,175	-	-	-	-	-
Interest rate related contracts:							
- futures contracts	2,512,000	-	104,000	207,000	260,000	1,941,000	695
- interest rate swaps	1,195,909	135,000	921,924	138,985	-	-	-
Equity related contracts:							
- options	471	471	-	-	-	-	-
	3,951,672	378,763	1,025,924	345,985	260,000	1,941,000	695

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 RM7.0 million and RM0.3 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 RM123.9 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 RM342 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). 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 30 APRIL 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 decision for the application has been fixed on 13 June 2008.
- (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 court has fixed 1 and 2 July 2008 for continued hearing.

B13. Dividends

Please refer to explanatory note A7.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2008

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 30-Apr-08	3 months ended 30-Apr-07	9 months ended 30-Apr-08	9 months ended 30-Apr-07
Profit for the financial period attributable to equity holders of the Company (RM'000)	6,496	31,965	40,898	58,462
Weighted average number of ordinary shares in issue ('000)	255,175	254,362	255,091	253,965
Basic earnings per share (sen)	2.55	12.57	16.03	23.02
Profit for the financial period attributable to equity holders of the Company (RM'000)	6,496	31,965	40,898	58,462
Weighted average number of ordinary shares in issue ('000):				
- in issue during the financial period (as above)	255,175	254,362	255,091	253,965
- adjustment made for share options	143	761	308	547
	255,318	255,123	255,399	254,512
Diluted earnings per share (sen)	2.54	12.53	16.01	22.97

By Order of the Board

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

**Penang
10 June 2008**