

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED BALANCE SHEET AS AT 31 JULY 2008**

	Note	As at 31-Jul-08 RM'000	As at 31-Jul-07 RM'000
<b>Assets</b>			
Cash and short term funds		1,256,975	592,719
Deposits and placements with banks and other financial institutions		147,773	15,000
Securities held-for-trading	A8	1,229,259	12,549
Securities available-for-sale ("AFS")	A9	33,161	143,390
Loans, advances and financing	A10	565,332	284,515
Clients' and brokers' balances	A11	162,109	712,107
Derivative assets		14,955	3
Other assets	A12	44,768	25,759
Statutory deposits with Bank Negara Malaysia		29,570	-
Tax recoverable		11,192	4,825
Deferred tax assets		2,918	1,051
Interests in jointly controlled entities		123	480
Property, plant and equipment		62,764	63,925
Investment properties		6,237	17,950
Intangible assets		162,619	162,619
<b>Total assets</b>		<b><u>3,729,755</u></b>	<b><u>2,036,892</u></b>
<b>Liabilities</b>			
Deposits from customers	A13	1,052,235	88,605
Deposits and placements of banks and other financial institutions	A14	1,125,548	174,502
Clients' and brokers' balances		196,861	538,918
Derivative liabilities		24,171	71
Other liabilities	A15	258,713	313,384
Taxation		692	5,103
Deferred tax liabilities		596	543
Borrowings	A16	312,000	168,000
<b>Total liabilities</b>		<b><u>2,970,816</u></b>	<b><u>1,289,126</u></b>
<b>Equity</b>			
Share capital		265,845	265,559
Reserves		496,518	488,441
Treasury shares, at cost		(16,033)	(16,024)
		<u>746,330</u>	<u>737,976</u>
Minority interests		12,609	9,790
<b>Total equity</b>		<b><u>758,939</u></b>	<b><u>747,766</u></b>
<b>Total liabilities and equity</b>		<b><u>3,729,755</u></b>	<b><u>2,036,892</u></b>
<b>Net assets per share (RM)</b>		<b><u>2.92</u></b>	<b><u>2.90</u></b>

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

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED INCOME STATEMENT**  
**FOR THE FINANCIAL YEAR ENDED 31 JULY 2008**

	Note	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
		3 months ended 31-Jul-08 RM'000	3 months ended 31-Jul-07 RM'000	12 months ended 31-Jul-08 RM'000	12 months ended 31-Jul-07 RM'000
Operating revenue		82,998	106,575	348,593	358,792
Interest income	A17	37,026	9,744	105,466	31,812
Interest expense	A18	(22,083)	(4,479)	(62,115)	(11,750)
<b>Net interest income</b>		<b>14,943</b>	<b>5,265</b>	<b>43,351</b>	<b>20,062</b>
Other operating income	A19	22,794	100,707	213,156	340,213
		37,737	105,972	256,507	360,275
Other operating expenses	A20	(39,888)	(72,665)	(193,598)	(243,903)
		(2,151)	33,307	62,909	116,372
Allowance for losses on loans, advances and financing	A21	(2,977)	(798)	(7,004)	(2,655)
Write back of allowance for bad and doubtful debts on clients' balances and trade receivables	A22	257	322	8	1,992
Impairment losses on an investment property		-	(3,390)	-	(3,390)
		(4,871)	29,441	55,913	112,319
Share of results of jointly controlled entities, net of tax		(38)	(165)	(357)	(608)
<b>Profit before taxation</b>		<b>(4,909)</b>	<b>29,276</b>	<b>55,556</b>	<b>111,711</b>
Taxation	B6	1,232	(8,712)	(14,718)	(30,898)
<b>Profit for the financial year</b>		<b>(3,677)</b>	<b>20,564</b>	<b>40,838</b>	<b>80,813</b>
<b>Attributable to:</b>					
Equity holders of the Company		(4,595)	19,172	36,303	77,634
Minority interests		918	1,392	4,535	3,179
		<b>(3,677)</b>	<b>20,564</b>	<b>40,838</b>	<b>80,813</b>
<b>Earnings per share attributable to equity holders of the Company (sen)</b>	B14				
- Basic		<b>(1.80)</b>	7.52	<b>14.23</b>	30.54
- Fully diluted		<b>(1.80)</b>	7.50	<b>14.22</b>	30.48

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 YEAR ENDED 31 JULY 2008**

**Attributable to Equity Holders of the Company**

	<b>Issued and fully paid ordinary shares of RM1 each</b>		<b>Treasury shares</b>	<b>Share premium</b>	<b>Statutory reserve</b>	<b>AFS reserve</b>	<b>Options reserve</b>	<b>Retained profits</b>	<b>Sub-total</b>	<b>Minority interests</b>	<b>Total equity</b>
	<b>Number of shares '000</b>	<b>Nominal value RM'000</b>									
At 1 August 2007	254,897	265,559	(16,024)	32,884	37,926	7,890	320	409,421	737,976	9,790	747,766
Net change in fair value of securities AFS, net of tax	-	-	-	-	-	(6,985)	-	-	(6,985)	-	(6,985)
Net gain transferred to income statement on disposal of securities AFS	-	-	-	-	-	(2,823)	-	-	(2,823)	-	(2,823)
Net loss recognised directly in equity	-	-	-	-	-	(9,808)	-	-	(9,808)	-	(9,808)
Profit for the financial year	-	-	-	-	-	-	-	36,303	36,303	4,535	40,838
Total recognised income and expenses for the financial year	-	-	-	-	-	(9,808)	-	36,303	26,495	4,535	31,030
Transfer to statutory reserve	-	-	-	-	14,631	-	-	(14,631)	-	-	-
Shares repurchased held as treasury shares at cost	(5)	-	(9)	-	-	-	-	-	(9)	-	(9)
Issue of options	-	-	-	-	-	-	154	-	154	-	154
Options exercised	286	286	-	206	-	-	(23)	-	469	-	469
Options terminated	-	-	-	-	-	-	(20)	20	-	-	-
Interim dividend for the financial year ended 31 July 2008	-	-	-	-	-	-	-	(9,442)	(9,442)	-	(9,442)
Final dividend for the financial year ended 31 July 2007	-	-	-	-	-	-	-	(9,313)	(9,313)	-	(9,313)
Dividend paid by a subsidiary to minority interests	-	-	-	-	-	-	-	-	-	(1,716)	(1,716)
<b>At 31 July 2008</b>	<b>255,178</b>	<b>265,845</b>	<b>(16,033)</b>	<b>33,090</b>	<b>52,557</b>	<b>(1,918)</b>	<b>431</b>	<b>412,358</b>	<b>746,330</b>	<b>12,609</b>	<b>758,939</b>

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

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 JULY 2008**

**Attributable to Equity Holders of the Company**

	<b>Issued and fully paid ordinary shares of RM1 each</b>		<b>Treasury shares</b>	<b>Share premium</b>	<b>Statutory reserve</b>	<b>AFS reserve</b>	<b>Options reserve</b>	<b>Retained profits</b>	<b>Sub-total</b>	<b>Minority interests</b>	<b>Total equity</b>
	<b>Number of shares '000</b>	<b>Nominal value RM'000</b>									
At 1 August 2006	254,138	264,165	(15,025)	32,014	-	(1,811)	-	388,147	667,490	7,965	675,455
Net change in fair value of securities AFS, net of tax	-	-	-	-	-	13,752	-	-	13,752	-	13,752
Net gain transferred to income statement on disposal of securities AFS	-	-	-	-	-	(4,051)	-	-	(4,051)	-	(4,051)
Net gain recognised directly in equity	-	-	-	-	-	9,701	-	-	9,701	-	9,701
Profit for the financial year	-	-	-	-	-	-	-	77,634	77,634	3,179	80,813
Total recognised income and expenses for the financial year	-	-	-	-	-	9,701	-	77,634	87,335	3,179	90,514
Transfer to statutory reserve	-	-	-	-	37,926	-	-	(37,926)	-	-	-
Shares repurchased held as treasury shares at cost	(635)	-	(999)	-	-	-	-	-	(999)	-	(999)
Issue of options	-	-	-	-	-	-	408	-	408	-	408
Option exercised	1,394	1,394	-	870	-	-	(88)	-	2,176	-	2,176
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)
<b>At 31 July 2007</b>	<b>254,897</b>	<b>265,559</b>	<b>(16,024)</b>	<b>32,884</b>	<b>37,926</b>	<b>7,890</b>	<b>320</b>	<b>409,421</b>	<b>737,976</b>	<b>9,790</b>	<b>747,766</b>

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

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE FINANCIAL YEAR ENDED 31 JULY 2008**

	<b>12 months ended 31-Jul-08 RM'000</b>	<b>12 months ended 31-Jul-07 RM'000</b>
Profit for the financial year	40,838	80,813
<b>Adjustments for:</b>		
Non-cash items	84,205	35,162
Non-operating items - investing	(13,109)	(12,296)
Non-operating items - financing	10,371	7,214
	122,305	110,893
<b>Changes in working capital:</b>		
Net changes in operating assets	(1,127,261)	(565,930)
Net changes in operating liabilities	1,519,453	628,164
	514,497	173,127
Interest paid	(46,420)	(3,276)
Tax paid	(26,134)	(19,560)
<b>Net operating cash flow</b>	<b>441,943</b>	<b>150,291</b>
<b>Investing activities</b>		
Net disposal/(purchase) of securities	101,948	(33,905)
Interest received from securities	6,624	2,785
Dividends and income distributions received	3,786	1,226
Contribution to the Government of Malaysia for a merchant bank licence	-	(42,500)
Additional investments in a jointly controlled entity	-	(442)
(Purchase)/Proceeds from disposal of other investments	(100)	33
Proceeds from disposal of an investment property	9,800	-
Property, plant and equipment	(7,657)	(10,281)
<b>Net investing cash flow</b>	<b>114,401</b>	<b>(83,084)</b>
<b>Financing activities</b>		
Dividend paid	(18,755)	(18,434)
Dividend paid by a subsidiary to minority interests	(1,716)	(1,354)
Interest paid	(10,170)	(7,256)
Net drawdown of borrowings	144,000	18,000
Issue of shares	469	2,176
Shares repurchased	(9)	(999)
<b>Net financing cash flow</b>	<b>113,819</b>	<b>(7,867)</b>
<b>Net change in cash and cash equivalents</b>	670,163	59,340
<b>Cash and cash equivalents at beginning of the financial year</b>	324,942	265,602
<b>Cash and cash equivalents at end of the financial year</b>	<b>995,105</b>	<b>324,942</b>
<b>Cash and cash equivalents at end of the financial year comprise:</b>		
Cash and short term funds	<b>995,105</b>	<b>324,942</b>

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

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 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 ended 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
IC Interpretation 8	Scope of FRS 2, Share-based Payment

Other than FRS 124 which enhanced the related party disclosure, the adoption of abovestated FRSs and IC Interpretation does not have any significant financial impact on the financial statements of the Group.

- (b) Comparative figures

During the financial year, amounts due from share margin financing accounts have been reclassified to Loans, advances and financing. Previously, the share margin financing balances were classified as Clients' and brokers' balances (Dr.). The following comparative figures have been restated to conform with current financial year's presentation:

<u>Group</u>	<b>As previously reported RM'000</b>	<b>Reclassi- -fications RM'000</b>	<b>As restated RM'000</b>
<b>Consolidated balance sheet as at 31 July 2007</b>			
Loans, advances and financing	75,793	208,722	284,515
Clients' and brokers' balances (Dr.)	920,829	(208,722)	712,107
	<u>996,622</u>	<u>-</u>	<u>996,622</u>
<b>Consolidated income statement for the financial year ended 31 July 2007</b>			
Allowance for losses on loans, advances and financing	(3,579)	924	(2,655)
Write back of allowance for bad and doubtful debts on clients' balances and trade receivables	2,916	(924)	1,992
	<u>2,916</u>	<u>(924)</u>	<u>1,992</u>

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2008**

**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 year ended 31 July 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 year ended 31 July 2008 as compared with the prior financial year.

**A6. Debts and Equity Securities**

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

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2008**

**A7. Dividends**

A final dividend of 5.0 sen per ordinary share, less income tax at 27%, 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 income tax at 26%, amounting to RM9,441,582 in respect of the current financial year ended 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).

The directors now recommend the payment of a final dividend in respect of the financial year ended 31 July 2008 of 5.0 sen per ordinary share, less income tax at 25%, amounting to RM9,569,171 based on the issued and paid-up share capital of the Company as at 31 July 2008, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company. This proposed dividend will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 July 2009 when approved by the shareholders.

Total dividends for the financial year ended 31 July 2008 amounted to 10.0 sen per ordinary share, less income tax. (Previous financial year ended 31 July 2007: 10.0 sen gross per ordinary share, less income tax at 27%)



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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2008**

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

	<b>As at 31-Jul-08 RM'000</b>	<b>As at 31-Jul-07 RM'000</b>
<b>At fair value</b>		
Quoted in Malaysia:		
Shares, warrants and REITs	19,709	5,604
Loan stocks	1,741	1,950
Unit trusts	872	4,995
Unquoted:		
Negotiable instruments of deposits	219,989	-
Bankers' acceptances	321,235	-
Private and Islamic debt securities	665,713	-
	<b>1,229,259</b>	<b>12,549</b>
	<b>1,229,259</b>	<b>12,549</b>

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

	<b>As at 31-Jul-08 RM'000</b>	<b>As at 31-Jul-07 RM'000</b>
<b>At fair value</b>		
Quoted in Malaysia:		
Shares	15,777	29,850
Unit trusts	6,894	10,054
	22,671	39,904
Unquoted:		
Malaysian Government Securities	10,000	10,105
Malaysian Government Treasury Bills	-	29,883
Bankers' acceptances	-	63,008
<b>At cost</b>		
Unquoted:		
Shares	4,490	4,490
	37,161	147,390
Accumulated impairment losses	(4,000)	(4,000)
	<b>33,161</b>	<b>143,390</b>
	<b>33,161</b>	<b>143,390</b>

Included in the quoted shares 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 RM15.8 million as at 31 July 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 YEAR ENDED 31 JULY 2008**

**A10. Loans, Advances and Financing**

	<b>As at 31-Jul-08 RM'000</b>	<b>As at 31-Jul-07 RM'000</b>
<b>(a) By Type</b>		
Term loans		
- bridging loans	73,980	10,052
- syndicated term loans	47,257	-
- other term loans	382,140	85,576
Share margin financing	156,783	216,513
Other financing	30,000	-
	<u>690,160</u>	<u>312,141</u>
Unearned interest	<u>(111,959)</u>	<u>(12,626)</u>
	578,201	299,515
Allowance for losses on loans, advances and financing:		
- general	(7,819)	(3,262)
- specific	<u>(5,050)</u>	<u>(11,738)</u>
Net loans, advances and financing	<u><b>565,332</b></u>	<u><b>284,515</b></u>
<b>(b) By Type of Customer</b>		
Domestic business enterprises		
- others	224,679	80,389
Individuals	206,052	200,603
Other domestic entities	133,893	13,846
Foreign entities	13,577	4,677
	<u><b>578,201</b></u>	<u><b>299,515</b></u>
<b>(c) By Interest Rate Sensitivity</b>		
Fixed rate		
- other fixed rate loans/financing	387,871	289,463
Variable rate		
- cost-plus	<u>190,330</u>	<u>10,052</u>
	<u><b>578,201</b></u>	<u><b>299,515</b></u>
<b>(d) By Purpose</b>		
Purchase of landed properties		
- non-residential	29,757	-
Purchase of securities	304,621	253,144
Working capital	49,796	16,588
Personal use	164,928	29,783
Others	29,099	-
	<u><b>578,201</b></u>	<u><b>299,515</b></u>

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2008**

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

	<b>As at 31-Jul-08 RM'000</b>	<b>As at 31-Jul-07 RM'000</b>
<b>(e) Non-Performing Loans, Advances and Financing ("NPLs") by Purpose</b>		
Purchase of securities	11,993	21,183
Working capital	959	959
Personal use	700	-
	<u><b>13,652</b></u>	<u><b>22,142</b></u>
<b>(f) Movements in NPLs</b>		
At beginning of the financial year	22,142	25,891
Classified as non-performing	6,151	36,363
Reclassified as performing	(892)	(33,671)
Amount recovered	(4,614)	(3,713)
Amount written off	(9,135)	(2,728)
At end of the financial year	<u>13,652</u>	<u>22,142</u>
Less: Specific allowance	<u>(5,050)</u>	<u>(11,738)</u>
Net NPLs	<u><b>8,602</b></u>	<u><b>10,404</b></u>
 Net NPLs as a % of gross loans, advances and financing less specific allowance	 <u><b>1.5%</b></u>	 <u><b>3.6%</b></u>
<b>(g) Movements in Allowance for Losses on Loans, Advances and Financing</b>		
<u>General Allowance</u>		
At beginning of the financial year	3,262	1,479
Allowance made	4,556	1,783
At end of the financial year	<u><b>7,818</b></u>	<u><b>3,262</b></u>
 As a % of gross loans and advances less specific allowance	 <u><b>1.4%</b></u>	 <u><b>1.1%</b></u>
<u>Specific Allowance</u>		
At beginning of the financial year	11,738	13,594
Allowance made	2,552	2,768
Amount written back	(375)	(1,896)
Amount written off	(8,865)	(2,728)
At end of the financial year	<u><b>5,050</b></u>	<u><b>11,738</b></u>

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2008**

**A11. Clients' and Brokers' Balances**

	<b>As at 31-Jul-08</b>	<b>As at 31-Jul-07</b>
Clients' and brokers' balances, net of allowance for bad and doubtful debts	<b>162,109</b>	<b>712,107</b>
<b>Movements in Allowance for Bad and Doubtful Debts on Clients' Balances:</b>		
<u>General Allowance</u>		
At beginning of the financial year	129	108
Allowance (written back)/made	(70)	21
At end of the financial year	<b>59</b>	<b>129</b>
<u>Specific Allowance</u>		
At beginning of the financial year	12,401	25,633
Allowance made	1,017	701
Amount written back	(904)	(3,010)
Amount written off	(11,302)	(10,923)
At end of the financial year	<b>1,212</b>	<b>12,401</b>

**A12. Other Assets**

	<b>As at 31-Jul-08 RM'000</b>	<b>As at 31-Jul-07 RM'000</b>
Trade receivables, net of allowance for doubtful debts of RM542,000 (2007: RM319,000)	8,481	9,715
Interest receivable	13,130	434
Statutory deposit	150	150
Clearing Guarantee Fund	1,870	1,816
Clearing Fund	1,000	1,000
Other receivables, deposits and prepayments	17,231	9,838
Other investments	2,906	2,806
	<b>44,768</b>	<b>25,759</b>

**A13. Deposits from Customers**

	<b>As at 31-Jul-08 RM'000</b>	<b>As at 31-Jul-07 RM'000</b>
<b>(a) By Type of Deposit</b>		
Fixed deposits	1,001,735	88,605
Negotiable instruments of deposits	50,500	-
	<b>1,052,235</b>	<b>88,605</b>
<b>(b) By Type of Customer</b>		
Government and statutory bodies	200,000	-
Business enterprises	790,969	87,597
Individuals	56,224	503
Others	5,042	505
	<b>1,052,235</b>	<b>88,605</b>

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2008**

**A14. Deposits and Placements of Banks and Other Financial Institutions**

	<b>As at 31-Jul-08 RM'000</b>	<b>As at 31-Jul-07 RM'000</b>
Licensed banks	152,376	14,300
Licensed investment banks	20,000	20,000
Other financial institutions	953,172	140,202
	<b><u>1,125,548</u></b>	<b><u>174,502</u></b>

**A15. Other Liabilities**

	<b>As at 31-Jul-08 RM'000</b>	<b>As at 31-Jul-07 RM'000</b>
Trade payables	25,225	32,362
Clients' trust accounts	128,159	150,654
Dealer's representatives' trust accounts	46,606	56,595
Amounts payable to dealer's representatives	8,027	14,853
Contributions payable to a defined contribution plan	1,204	858
Interest payable	7,399	1,875
Other payables and accruals	42,093	56,187
	<b><u>258,713</u></b>	<b><u>313,384</u></b>

**A16. Borrowings**

(a) Total borrowings of the Group of RM312 million as at 31 July 2008 are unsecured of which RM132 million revolving credit lines are covered by corporate guarantees issued by the Company for its subsidiaries. RM150 million standby letter of credit issued by a deemed substantial shareholder of the Company, DBS Bank Ltd., expired on 26 June 2008.

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

	<b>As at 31-Jul-08 RM'000</b>	<b>As at 31-Jul-07 RM'000</b>
Short term borrowings		
Revolving credits	312,000	168,000
Long term borrowings	-	-
<b>Total borrowings</b>	<b><u>312,000</u></b>	<b><u>168,000</u></b>

(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 YEAR ENDED 31 JULY 2008**

**A17. Interest Income**

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jul-08 RM'000	3 months ended 31-Jul-07 RM'000	12 months ended 31-Jul-08 RM'000	12 months ended 31-Jul-07 RM'000
Loans, advances and financing				
- Interest income other than recoveries from NPLs	11,421	5,596	33,969	20,473
- Recoveries from NPLs	377	387	760	2,887
Money at call and deposit placements with financial institutions	10,180	2,783	29,415	6,748
Securities:				
- held-for-trading	14,457	-	32,949	174
- AFS	97	928	5,397	2,690
- held-to-maturity	-	-	1,227	95
Others	363	545	2,590	1,973
	<u>36,895</u>	<u>10,239</u>	<u>106,307</u>	<u>35,040</u>
Amortisation of premium less accretion of discount	257	(2)	(177)	(105)
Interest suspended	(126)	(493)	(664)	(3,123)
	<u><b>37,026</b></u>	<u><b>9,744</b></u>	<u><b>105,466</b></u>	<u><b>31,812</b></u>

**A18. Interest Expense**

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jul-08 RM'000	3 months ended 31-Jul-07 RM'000	12 months ended 31-Jul-08 RM'000	12 months ended 31-Jul-07 RM'000
Deposits and placements of banks and other financial institutions	(11,724)	(1,610)	(32,658)	(2,331)
Deposits from customers	(5,400)	(324)	(16,386)	(641)
Obligations on securities sold under repurchase agreements	-	(34)	-	(90)
Borrowings	(3,067)	(1,725)	(10,371)	(7,214)
Others	(1,892)	(786)	(2,700)	(1,474)
	<u><b>(22,083)</b></u>	<u><b>(4,479)</b></u>	<u><b>(62,115)</b></u>	<u><b>(11,750)</b></u>

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2008**

**A19. Other Operating Income**

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jul-08 RM'000	3 months ended 31-Jul-07 RM'000	12 months ended 31-Jul-08 RM'000	12 months ended 31-Jul-07 RM'000
Fee and commission income:				
Brokerage	18,883	50,868	124,085	181,889
Unit trust management and incentive fees	9,251	10,041	41,012	32,340
Advisory and arranger fees	5,252	1,307	13,300	4,987
Underwriting commission and placement income	18	290	916	442
Rollover fees	977	611	3,441	2,184
Service charges and fees	666	491	1,753	1,311
Other fees	2,177	296	5,528	506
	<u>37,224</u>	<u>63,904</u>	<u>190,035</u>	<u>223,659</u>
Net gain/(loss) arising from disposal of:				
- securities held-for-trading	4,455	5,182	17,772	16,511
- derivatives	(1,861)	-	(156)	-
- securities AFS	(357)	2,730	2,314	7,130
	<u>2,237</u>	<u>7,912</u>	<u>19,930</u>	<u>23,641</u>
Net unrealised gain/(loss) on :				
- securities held-for-trading	(7,378)	(1,603)	(10,894)	4,662
- derivatives	(17,429)	(68)	(12,273)	(68)
	<u>(24,807)</u>	<u>(1,671)</u>	<u>(23,167)</u>	<u>4,594</u>
Gross dividends/income distributions from :				
- securities held-for-trading	521	9	1,189	543
- securities AFS	1,086	340	3,003	2,074
	<u>1,607</u>	<u>349</u>	<u>4,192</u>	<u>2,617</u>
Other income:				
Initial service charge	3,549	28,997	17,553	81,587
Net foreign exchange gain/(loss):				
- realised	(4,441)	443	(2,523)	1,514
- unrealised	3,456	12	847	12
Rental Income	143	182	670	824
Others	3,826	579	5,619	1,765
	<u>6,533</u>	<u>30,213</u>	<u>22,166</u>	<u>85,702</u>
<b>Total</b>	<b><u>22,794</u></b>	<b><u>100,707</u></b>	<b><u>213,156</u></b>	<b><u>340,213</u></b>

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2008**

**A20. Other Operating Expenses**

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jul-08 RM'000	3 months ended 31-Jul-07 RM'000	12 months ended 31-Jul-08 RM'000	12 months ended 31-Jul-07 RM'000
Personnel costs:				
- Salaries, allowances and bonus	(11,941)	(14,941)	(66,347)	(55,434)
- Contributions to a defined contribution plan	(1,783)	(1,734)	(9,568)	(7,157)
- Others	(3,665)	(5,479)	(17,038)	(21,564)
	<u>(17,389)</u>	<u>(22,154)</u>	<u>(92,953)</u>	<u>(84,155)</u>
Establishment related costs:				
- Depreciation	(2,271)	(2,448)	(8,884)	(12,991)
- Rental of premises	(974)	(877)	(3,600)	(3,127)
- Rental of equipment	(700)	(511)	(2,849)	(2,826)
- Repairs and maintenance of premises and equipment	(305)	(299)	(1,250)	(1,104)
- Information technology expenses	(515)	(429)	(1,870)	(1,562)
- Others	(1,554)	(1,029)	(4,451)	(3,792)
	<u>(6,319)</u>	<u>(5,593)</u>	<u>(22,904)</u>	<u>(25,402)</u>
Promotion and marketing related expenses:				
- Promotion and business development	(3,171)	(4,601)	(14,048)	(13,240)
- Travelling and accommodation	(250)	(204)	(899)	(787)
- Others	(1,294)	(1,583)	(5,378)	(6,802)
	<u>(4,715)</u>	<u>(6,388)</u>	<u>(20,325)</u>	<u>(20,829)</u>
Administrative and general expenses:				
- Professional and consultancy fees	(1,075)	(726)	(2,620)	(2,790)
- Communication expenses	(1,149)	(1,429)	(4,478)	(4,757)
- Incentives and commission	(5,474)	(30,290)	(28,210)	(86,373)
- Regulatory charges	(1,365)	(3,120)	(8,943)	(10,259)
- Commission on standby letter of credit	(163)	(262)	(953)	(1,050)
- Others	(2,239)	(2,703)	(12,212)	(8,288)
	<u>(11,465)</u>	<u>(38,530)</u>	<u>(57,416)</u>	<u>(113,517)</u>
<b>Total</b>	<b><u>(39,888)</u></b>	<b><u>(72,665)</u></b>	<b><u>(193,598)</u></b>	<b><u>(243,903)</u></b>



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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2008**

**A21. Allowance for Losses on Loans, Advances and Financing**

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jul-08 RM'000	3 months ended 31-Jul-07 RM'000	12 months ended 31-Jul-08 RM'000	12 months ended 31-Jul-07 RM'000
Allowance for bad and doubtful debts:				
Specific allowance				
- made during the financial year	(790)	(697)	(2,552)	(2,768)
- written back during the financial year	60	170	375	1,896
	<u>(730)</u>	<u>(527)</u>	<u>(2,177)</u>	<u>(872)</u>
General allowance				
- made during the financial year	(1,977)	(271)	(4,557)	(1,783)
Bad debts:				
- written off	(270)	-	(270)	-
	<u>(2,977)</u>	<u>(798)</u>	<u>(7,004)</u>	<u>(2,655)</u>

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jul-08 RM'000	3 months ended 31-Jul-07 RM'000	12 months ended 31-Jul-08 RM'000	12 months ended 31-Jul-07 RM'000
Allowance for bad and doubtful debts:				
Specific allowance				
- made during the financial year	(298)	(233)	(1,240)	(870)
- written back during the financial year	255	490	904	3,010
	<u>(43)</u>	<u>257</u>	<u>(336)</u>	<u>2,140</u>
General allowance				
- written back/(made) during the financial year	35	65	70	(21)
Bad debts:				
- recovered	265	-	274	153
- written off	-	-	-	(280)
	<u>257</u>	<u>322</u>	<u>8</u>	<u>1,992</u>

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2008**

**A23. Commitments and Contingencies**

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

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

	As at 31-Jul-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	65,050	65,050	65,050	-	-	-
Commitments to extend credits with maturity of less than 1 year:						
- loans, advances and financing	437,094	-	-	256,212	-	-
Foreign exchange related contracts:						
- less than 1 year	103,905	655	152	17,149	3	1
- 1 year to less than 5 years	319,950	38,554	16,692	-	-	-
Interest rate related contracts:						
- less than 1 year	1,205,000	1,752	876	-	-	-
- 1 year to less than 5 years	8,454,845	64,502	31,261	-	-	-
- more than 5 years	244,125	50,810	25,405	-	-	-
Equity related contracts:						
- less than 1 year	356	21	4	-	-	-
	<b>10,830,325</b>	<b>221,344</b>	<b>139,440</b>	<b>273,361</b>	<b>3</b>	<b>1</b>

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

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2008**

**A24. Other Commitments**

	<b>As at 31-Jul-08 RM'000</b>	<b>As at 31-Jul-07 RM'000</b>
Capital expenditure commitments	14,245	19,860
Non-cancellable operating lease commitments	7,913	10,240
Committed capital in HDM Private Equity Sdn. Bhd. (formerly known as DBS HDM Capital Sdn. Bhd.) ("HPE") in accordance with the Subscription Agreements between the Company and HPE	23,766	23,766
	<b><u>45,924</u></b>	<b><u>53,866</u></b>

**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 capital adequacy ratios of HDBSIB are as follows:

	<b>As at 31-Jul-08 RM'000</b>	<b>As at 31-Jul-07 RM'000</b>
The components of Tier I and Tier II capital are as follows:		
<b><u>Tier I capital</u></b>		
Issued and fully paid share capital	500,000	500,000
Retained profits	204,985	226,854
Statutory reserve	52,557	37,926
Options reserve	-	234
	<u>757,542</u>	<u>765,014</u>
Less:		
Deferred tax assets	(1,864)	(825)
Goodwill	(110,002)	(110,002)
Total Tier I capital	<u>645,676</u>	<u>654,187</u>
<b><u>Tier II capital</u></b>		
General allowance for bad and doubtful debts	<u>5,139</u>	<u>2,388</u>
Total Tier II capital	<u>5,139</u>	<u>2,388</u>
Total capital	650,815	656,575
Less: Investment in subsidiaries	<u>(3,081)</u>	<u>(3,081)</u>
<b>Capital base</b>	<b><u>647,734</u></b>	<b><u>653,494</u></b>
Core capital ratio	31.8%	55.4%
Risk-weighted capital ratio	31.9%	55.4%
Core capital ratio (net of proposed dividend)	31.2%	52.3%
Risk-weighted capital ratio (net of proposed dividend)	31.3%	52.3%

The capital adequacy ratios of the investment banking subsidiary as at 31 July 2008 are computed in accordance with BNM's Revised Risk-weighted Capital Adequacy Framework: Standardised Approach for Credit Risk and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II) which is effective from 1 January 2008. The capital adequacy ratios as at the previous financial year end have not been restated.

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2008**

**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				
<b>At 31 July 2008</b>										
<b>Assets</b>										
Cash and short term funds	1,182,600	-	-	-	-	74,375	1,256,975	-	1,256,975	3.41%
Deposit and placements with banks and other financial institutions	-	147,773	-	-	-	-	147,773	-	147,773	3.34%
Securities held-for-trading	-	-	-	-	-	-	-	1,229,259	1,229,259	5.06%
Securities AFS	-	-	-	10,000	-	23,161	33,161	-	33,161	3.69%
Loans, advances and financing:										
- performing	264,359	151,006	15,924	12,183	121,077	(7,819) *	556,730	-	556,730	9.40%
- non-performing	-	-	-	-	-	8,602	8,602	-	8,602	-
Clients' and brokers' balances	948	-	-	-	-	161,161	162,109	-	162,109	9.00%
Derivative assets	-	-	-	-	-	-	-	14,955	14,955	-
Other assets <sup>(1)</sup>	9,551	1,870	-	-	-	308,770	320,191	-	320,191	2.15%
<b>Total assets</b>	<b>1,457,458</b>	<b>300,649</b>	<b>15,924</b>	<b>22,183</b>	<b>121,077</b>	<b>568,250</b>	<b>2,485,541</b>	<b>1,244,214</b>	<b>3,729,755</b>	
<b>Liabilities</b>										
Deposits from customers	682,651	328,584	1,000	40,000	-	-	1,052,235	-	1,052,235	3.51%
Deposits and placements of banks and other financial institutions	1,053,237	40,632	24,628	7,051	-	-	1,125,548	-	1,125,548	3.37%
Clients' and brokers' balances	86,732	-	-	-	-	110,129	196,861	-	196,861	2.83%
Derivative liabilities	-	-	-	-	-	-	-	24,171	24,171	-
Other liabilities <sup>(2)</sup>	174,669	-	-	-	-	85,332	260,001	-	260,001	3.26%
Borrowings	87,000	50,000	175,000	-	-	-	312,000	-	312,000	4.99%
<b>Total liabilities</b>	<b>2,084,289</b>	<b>419,216</b>	<b>200,628</b>	<b>47,051</b>	<b>-</b>	<b>195,461</b>	<b>2,946,645</b>	<b>24,171</b>	<b>2,970,816</b>	
Total equity	-	-	-	-	-	758,939	758,939	-	758,939	-
<b>Total liabilities and equity</b>	<b>2,084,289</b>	<b>419,216</b>	<b>200,628</b>	<b>47,051</b>	<b>-</b>	<b>954,400</b>	<b>3,705,584</b>	<b>24,171</b>	<b>3,729,755</b>	
On-balance sheet interest sensitivity gap	(626,831)	(118,567)	(184,704)	(24,868)	121,077	(386,150)	(1,220,043)	1,220,043	-	
Off-balance sheet interest sensitivity gap	(258,725)	394,695	(675,000)	(7,204,845)	(244,125)	-	(7,988,000)	-	(7,988,000)	
<b>Total interest sensitivity gap</b>	<b>(885,556)</b>	<b>276,128</b>	<b>(859,704)</b>	<b>(7,229,713)</b>	<b>(123,048)</b>	<b>(386,150)</b>	<b>(9,208,043)</b>	<b>1,220,043</b>	<b>(7,988,000)</b>	

<sup>(1)</sup> Other assets include Other assets, Statutory deposits with Bank Negara Malaysia, Tax recoverable, Deferred tax assets, Interests in jointly controlled entities, Property, plant and equipment, Investment properties and Intangible assets as disclosed in the consolidated balance sheet.

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.

<sup>(2)</sup> Other liabilities include Other liabilities, Taxation and Deferred tax liabilities as disclosed in the consolidated balance sheet.

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2008**

**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				
<b>At 31 July 2007</b>										
<b>Assets</b>										
Cash and short term funds	468,895	-	-	-	-	123,824	592,719	-	592,719	3.29%
Deposit and placements with banks and other financial institutions	-	15,000	-	-	-	-	15,000	-	15,000	3.56%
Securities held-for-trading	-	-	-	-	-	-	-	12,549	12,549	-
Securities AFS	45,027	47,864	-	10,105	-	40,394	143,390	-	143,390	3.56%
Loans, advances and financing:										
- performing	216,189	3,154	44,192	1,062	12,776	(3,262) *	274,111	-	274,111	8.91%
- non-performing	-	-	-	-	-	10,404	10,404	-	10,404	-
Clients' and brokers' balances	1,838	-	-	-	-	710,269	712,107	-	712,107	9.00%
Derivative assets	-	-	-	-	-	-	-	3	3	-
Other assets <sup>(1)</sup>	1,000	1,816	-	-	-	273,793	276,609	-	276,609	2.74%
<b>Total assets</b>	<b>732,949</b>	<b>67,834</b>	<b>44,192</b>	<b>11,167</b>	<b>12,776</b>	<b>1,155,422</b>	<b>2,024,340</b>	<b>12,552</b>	<b>2,036,892</b>	
<b>Liabilities</b>										
Deposits from customers	88,100	505	-	-	-	-	88,605	-	88,605	3.49%
Deposits and placements of banks and other financial institutions	97,090	52,432	24,980	-	-	-	174,502	-	174,502	3.54%
Clients' and brokers' balances	45,745	-	-	-	-	493,173	538,918	-	538,918	3.26%
Derivative liabilities	-	-	-	-	-	-	-	71	71	-
Other liabilities <sup>(2)</sup>	203,173	-	-	-	-	115,857	319,030	-	319,030	2.98%
Borrowings	18,000	-	150,000	-	-	-	168,000	-	168,000	4.09%
<b>Total liabilities</b>	<b>452,108</b>	<b>52,937</b>	<b>174,980</b>	<b>-</b>	<b>-</b>	<b>609,030</b>	<b>1,289,055</b>	<b>71</b>	<b>1,289,126</b>	
Total equity	-	-	-	-	-	747,766	747,766	-	747,766	-
<b>Total liabilities and equity</b>	<b>452,108</b>	<b>52,937</b>	<b>174,980</b>	<b>-</b>	<b>-</b>	<b>1,356,796</b>	<b>2,036,821</b>	<b>71</b>	<b>2,036,892</b>	
On-balance sheet interest sensitivity gap	280,841	14,897	(130,788)	11,167	12,776	(201,374)	(12,481)	12,481	-	
<b>Total interest sensitivity gap</b>	<b>280,841</b>	<b>14,897</b>	<b>(130,788)</b>	<b>11,167</b>	<b>12,776</b>	<b>(201,374)</b>	<b>(12,481)</b>	<b>12,481</b>	<b>-</b>	

<sup>(1)</sup> Other assets include Other assets, Tax recoverable, Deferred tax assets, Interests in jointly controlled entities, Property, plant and equipment, Investment properties and Intangible assets as disclosed in the consolidated balance sheet.

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.

<sup>(2)</sup> Other liabilities include Other liabilities, Taxation and Deferred tax liabilities as disclosed in the consolidated balance sheet.

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2008**

**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**

<b>12 months ended 31 July 2008</b>	<b>Stockbroking and related activities RM'000</b>	<b>Investment banking and financial services RM'000</b>	<b>Property investment RM'000</b>	<b>Investment holding RM'000</b>	<b>Money- lending RM'000</b>	<b>Others RM'000</b>	<b>Consolidation adjustments RM'000</b>	<b>Group RM'000</b>
<b>Revenue</b>								
External revenue *	165,683	160,215	669	1,941	18,222	1,863	-	348,593
Inter-segment revenue	-	1,345	4,245	53,442	-	2,624	(61,656)	-
<b>Total revenue</b>	<b>165,683</b>	<b>161,560</b>	<b>4,914</b>	<b>55,383</b>	<b>18,222</b>	<b>4,487</b>	<b>(61,656)</b>	<b>348,593</b>
<b>Results</b>								
Segment results	60,773	(4,241)	3,425	(4,445)	2,868	(205)	2,438	60,613
Unallocated income								254
Unallocated expenses								(4,954)
								<u>55,913</u>
Share of results of jointly controlled entities, net of tax	-	(34)	-	(323)	-	-	-	(357)
Profit before taxation								55,556
Taxation								(14,718)
<b>Profit for the financial year</b>								<b><u>40,838</u></b>

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

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2008**

**A27. Segmental information (cont'd)**

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

<b>12 months ended 31 July 2007</b>	<b>Stockbroking and related activities RM'000</b>	<b>Investment banking and financial services RM'000</b>	<b>Property investment RM'000</b>	<b>Investment holding RM'000</b>	<b>Money- lending RM'000</b>	<b>Others RM'000</b>	<b>Consolidation adjustments RM'000</b>	<b>Group RM'000</b>
<b>Revenue</b>								
External revenue *	224,311	124,063	824	1,108	7,221	1,265	-	358,792
Inter-segment revenue	522	71	4,188	17,600	-	1,680	(24,061)	-
<b>Total revenue</b>	<b>224,833</b>	<b>124,134</b>	<b>5,012</b>	<b>18,708</b>	<b>7,221</b>	<b>2,945</b>	<b>(24,061)</b>	<b>358,792</b>
<b>Results</b>								
Segment results	116,154	2,302	207	40	(535)	(178)	(523)	117,467
Unallocated income								94
Unallocated expenses								(5,242)
								<u>112,319</u>
Share of results of jointly controlled entities, net of tax	-	(85)	-	(523)	-	-	-	(608)
Profit before taxation								111,711
Taxation								(30,898)
<b>Profit for the financial year</b>								<b><u>80,813</u></b>

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

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2008**

**A28. Valuation of Property, Plant and Equipment**

Not applicable.

**A29. Subsequent Events**

There are no material events subsequent to the end of the financial year ended 31 July 2008 except that 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 remaining 50% equity interests in the Company's jointly controlled entities:

- (i) HDM Private Equity Sdn. Bhd. (formerly known as DBS HDM Capital Sdn. Bhd.) ("HPE"), 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) HDM Capital Management Sdn. Bhd. (formerly known as DBS HDM Capital Management Sdn. Bhd.) ("HCM"), comprising 200,000 ordinary shares of RM1 each for a cash consideration of RM126,909.

The transaction was completed subsequent to the financial year end on 25 September 2008 and both HPE and HCM became wholly-owned subsidiaries of the Company.

**A30. Changes in the Composition of the Group**

There are no changes in the composition of the Group for the current quarter and financial year ended 31 July 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.



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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2008**

**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 decreased to RM348.6 million for the financial year ended 31 July 2008 compared to RM358.8 million in the previous corresponding year. The decrease in operating revenue is mainly attributed to the lower brokerage income generated by the stockbroking division and reduction in initial service charge from sales of unit trusts. The reduction is, however, offset by higher net interest income and fee based income generated by the treasury and capital markets teams of the investment banking division, higher management and incentive fees earned on funds managed by the asset management subsidiary as well as higher interest earned from the Group's consumer financing activities. The investment banking subsidiary remains the key revenue contributor accounting for 75% (2007:63%) of the Group's operating revenue, followed by the fund and asset management subsidiary at 17% (2007:32%). Revenue contributions from other subsidiaries accounted for the remaining 8% (2007:5%).

The Group's pretax profit for the financial year under review decreased by 50.2% to RM55.6 million compared to RM111.7 million in the previous financial year. The lower profitability is mainly due to reduction in the stockbroking brokerage income which moves in tandem with the quiet equity market sentiments especially in the second half of the financial year. The value traded in Bursa Malaysia Securities Berhad in the current financial year declined to RM422.9 billion compared to RM506.2 billion in the last financial year. The lower Group pretax profit is also attributed to the reduction in initial service charge from unit trusts management and higher net unrealised marked to market losses on securities and derivatives. The reduction is however offset by increase in fees and net interest income generated by the investment banking, asset management and consumer financing divisions of the Group.

On a quarter-on-quarter basis, the Group's operating revenue decreased from RM106.6 million to RM83.0 million, mainly due to lower contributions from the stockbroking and unit trusts management businesses. The pretax loss incurred in quarter 4 of the current financial year of RM4.9 million compared to a pretax profit of RM29.3 million in the previous corresponding quarter is mainly attributable to the net unrealised loss arising from marked-to-market valuation of the investment banking division's securities and derivatives portfolio coupled with lower brokerage income in line with the weak market sentiments in the current quarter.

The Group registered a lower profit after taxation of RM40.8 million in line with the decrease in pretax profit for the current financial year ended 31 July 2008.

In the opinion of the Board of Directors, no item, transaction or event of a material and unusual nature has arisen which would affect substantially the results of the operations of the Group for the financial year from 31 July 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 registered a pretax loss of RM4.9 million in the current quarter under review compared with a pretax profit from RM11.9 million in the third quarter. The pretax loss is mainly attributable to net unrealised loss arising from marked-to-market valuation of the investment banking division's securities and derivatives portfolio coupled with lower brokerage income in line with the weak market sentiments in the current quarter compared to the preceding quarter.

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2008**

**B3. Commentary**

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

The Group expects the outlook for the Malaysian economy and domestic capital market to remain cautious for the financial year ending 31 July 2009 ("FY2009") in anticipation of continued inflationary pressures, lower consumer spending and worries of slowing economies. At the same time, the global capital market conditions will continue to remain volatile. These sentiments from both external and local economies will weigh down the performance of the equity and capital markets in which the Group operates in the near to medium term.

Against such a backdrop and with expected thin trading volume in the stock market coupled with further liberalization of brokerage rates and increased competitiveness in the stockbroking industry, FY2009 will pose a challenging year for the stockbroking activities of the Group.

The softer economic outlook and market uncertainties are likely to result in delays in the pipeline of mandates in the Malaysian investment banking activities, with new issuance of private debt securities likely to be affected by the volatile ringgit swap rates. The investment banking division will continue to develop and strengthen its product and distribution capabilities to cater for the challenging market environment.

The consumer financing and asset management business segments of the Group are expanding as planned with targeted commencement of the Group's Islamic asset management business in the first quarter of the financial year and these activities are expected to contribute to the Group's profitability.

The Board of Directors is confident that the Group, with its strong financials and management team, is well positioned to meet the challenges ahead.

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

Not applicable.

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

Not applicable.

**B5. Profit Forecast and Profit Guarantee**

Not applicable.

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2008**

**B6. Taxation**

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>3 months ended</u> <u>31-Jul-08</u> <u>RM'000</u>	<u>3 months ended</u> <u>31-Jul-07</u> <u>RM'000</u>	<u>12 months ended</u> <u>31-Jul-08</u> <u>RM'000</u>	<u>12 months ended</u> <u>31-Jul-07</u> <u>RM'000</u>
In respect of the current financial year:-				
Malaysian income tax	790	(9,036)	(15,852)	(33,661)
Deferred tax	423	323	1,060	2,480
	<u>1,213</u>	<u>(8,713)</u>	<u>(14,792)</u>	<u>(31,181)</u>
In respect of prior financial years:-				
Malaysian income tax	30	(1)	90	286
Deferred tax	(11)	2	(16)	2
Real property gains tax	-	-	-	(5)
	<u>1,232</u>	<u>(8,712)</u>	<u>(14,718)</u>	<u>(30,898)</u>

As gazetted in the Finance Act 2007, the income tax rate is 26% for the year of assessment 2008 and for the year of assessment 2009 onwards, the income tax rate is 25%.

The effective tax rate for the quarter ended 31 July 2008 is higher than the statutory tax rate mainly due to certain expenses which are not deductible for tax purposes.

The Ministry of Finance Malaysia ("MOF") has approved tax credits to the investment banking subsidiary, HDBSIB based on 50% of the tax losses of the stockbroking companies acquired by HDBSIB or stockbroking companies of which the businesses were acquired by HDBSIB under the Securities Commission's Policy Framework for Consolidation of the Stockbroking Industry.

As at 31 July 2008, the agreement to be signed between the MOF and the Liquidator of Taiping Recovery Sdn. Bhd. (In Liquidation) ("TRSB") in connection with the acquisition of business of TRSB by HDSBIB in a prior financial year, under Section 154 of the Income Tax Act, 1967 for the release of 50% of the accumulated tax losses of TRSB has not been finalised. The Technical Division of the IRB has yet to approve and confirm the amount of the resultant tax credit. The effect of the tax credit has yet to be utilised and recognised in the financial statements.

**B7. Sale of Unquoted Investments and/or Properties**

There are no disposal of unquoted investments and properties for the current quarter and financial year ended 31 July 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.

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2008**

**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:

	<b>Current quarter ended 31-Jul-08 RM'000</b>	<b>Financial year ended 31-Jul-08 RM'000</b>
(i) Total Purchase Consideration	<u>4,110</u>	<u>27,553</u>
(ii) Total Sales Proceeds	<u>9,417</u>	<u>35,914</u>
(iii) Total Profit/(Loss) on Disposal	<u>(369)</u>	<u>2,699</u>

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

	<b>RM'000</b>
(i) At Cost	<u>20,378</u>
(ii) At Book Value	<u>17,737</u>
(iii) At Market Value	<u>17,737</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 31 July 2008, the joint venture contract between the Company, Prudential Vietnam Assurance Private Limited and an individual for the establishment of a stockbroking company in Vietnam has been mutually terminated by the parties to the joint venture contract without any claims against each other.

**B10. Group Borrowings and Debt Securities**

Please refer to explanatory note A16.

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 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	6,079	6,079	-	-	-	-	-
- forward swaps	97,826	65,356	32,470	-	-	-	-
- cross currency interest rate swaps	319,950	-	319,950	-	-	-	-
Interest rate related contracts:							
- futures contracts	8,068,000	-	190,000	190,000	525,000	7,163,000	9,598
- interest rate swaps	1,835,970	451,275	1,384,695	-	-	-	-
Equity related contracts:							
- options	356	356	-	-	-	-	-
	10,328,181	523,066	1,927,115	190,000	525,000	7,163,000	9,598

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 RM15.0 million and RM4.8 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 RM7.3 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 RM7.1 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.

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 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 without a date as the client has been adjudged a bankrupt upon the petition of another party. HDBSIB has filed the Proof of Debt against the client on 7 December 2007.
- (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 court has allowed HDBSIB's application to strike out the claim on 13 August 2008. The remisier's former assistant has filed an appeal against the decision and that the court has fixed 4 November 2008 for the hearing of the Notice of Appeal.
- (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 8 October 2008 for continued hearing.
- (d) Claim filed on 21 November 2003 by five clients against HDBSIB, together with one of its subsidiaries, HDM Nominees (Tempatan) Sdn. Bhd. and an unrelated party alleging that certain shares which have been sold through HDBSIB were not duly authorised by the said clients have been withdrawn and discontinued by the clients on 25 June 2008.

**B13. Dividends**

Please refer to explanatory note A7.

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2008**

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jul-08	3 months ended 31-Jul-07	12 months ended 31-Jul-08	12 months ended 31-Jul-07
Profit for the financial year attributable to equity holders of the Company (RM'000)	(4,595)	19,172	36,303	77,634
Weighted average number of ordinary shares in issue ('000)	255,178	254,793	255,113	254,182
<b>Basic earnings per share (sen)</b>	<b>(1.80)</b>	<b>7.52</b>	<b>14.23</b>	<b>30.54</b>
Profit for the financial year attributable to equity holders of the Company (RM'000)	(4,595)	19,172	36,303	77,634
Weighted average number of ordinary shares in issue ('000):				
- in issue during the financial year (as above)	255,178	254,793	255,113	254,182
- adjustment made for share options	122	715	275	525
	255,300	255,508	255,388	254,707
<b>Diluted earnings per share (sen)</b>	<b>(1.80)</b>	<b>7.50</b>	<b>14.22</b>	<b>30.48</b>

**By Order of the Board**

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

**Penang**  
**30 September 2008**