

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

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

	Note	As at 31-Oct-08 RM'000	As at 31-Jul-08 RM'000
Assets			
Cash and short term funds		655,141	1,256,975
Deposits and placements with banks and other financial institutions		203,388	147,773
Securities held-for-trading	A8	1,001,940	1,229,259
Securities available-for-sale ("AFS")	A9	30,012	33,161
Securities held-to-maturity	A10	531,172	-
Loans, advances and financing	A11	480,686	565,332
Clients' and brokers' balances	A12	370,926	162,109
Derivative assets		11,906	14,955
Other assets	A13	50,969	44,768
Statutory deposits with Bank Negara Malaysia		24,460	29,570
Tax recoverable		13,254	11,192
Deferred tax assets		3,563	2,918
Interests in jointly controlled entities		-	123
Property, plant and equipment		61,885	62,764
Investment properties		6,212	6,237
Intangible assets		162,624	162,619
Total assets		<u>3,608,138</u>	<u>3,729,755</u>
Liabilities			
Deposits from customers	A14	820,442	1,052,235
Deposits and placements of banks and other financial institutions	A15	1,037,223	1,125,548
Clients' and brokers' balances		399,259	196,861
Derivative liabilities		44,572	24,171
Other liabilities	A16	245,045	258,713
Taxation		1,672	692
Deferred tax liabilities		576	596
Borrowings	A17	300,792	312,000
Total liabilities		<u>2,849,581</u>	<u>2,970,816</u>
Equity			
Share capital		265,845	265,845
Reserves		495,548	496,518
Treasury shares, at cost		(16,033)	(16,033)
		<u>745,360</u>	<u>746,330</u>
Minority interests		13,197	12,609
Total equity		<u>758,557</u>	<u>758,939</u>
Total liabilities and equity		<u>3,608,138</u>	<u>3,729,755</u>
Net assets per share (RM)		<u>2.92</u>	<u>2.92</u>

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2008.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2008

	Note	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
		3 months ended 31-Oct-08 RM'000	3 months ended 31-Oct-07 RM'000	3 months ended 31-Oct-08 RM'000	3 months ended 31-Oct-07 RM'000
Operating revenue		83,182	84,403	83,182	84,403
Interest income	A18	39,822	12,949	39,822	12,949
Interest expense	A19	(22,519)	(6,810)	(22,519)	(6,810)
Net interest income		17,303	6,139	17,303	6,139
Other operating income	A20	26,285	70,294	26,285	70,294
		43,588	76,433	43,588	76,433
Other operating expenses	A21	(38,169)	(50,521)	(38,169)	(50,521)
		5,419	25,912	5,419	25,912
Write back of allowance/(allowance) for losses on loans, advances and financing	A22	267	(1,683)	267	(1,683)
(Allowance)/Write back of allowance for bad and doubtful debts on clients' balances and trade receivables	A23	(312)	525	(312)	525
		5,374	24,754	5,374	24,754
Share of results of jointly controlled entities, net of tax		(2)	(136)	(2)	(136)
Profit before taxation		5,372	24,618	5,372	24,618
Taxation	B6	(1,803)	(5,241)	(1,803)	(5,241)
Profit for the financial period		3,569	19,377	3,569	19,377
Attributable to:					
Equity holders of the Company		2,981	18,466	2,981	18,466
Minority interests		588	911	588	911
		3,569	19,377	3,569	19,377
Earnings per share attributable to equity holders of the Company (sen)	B14				
- Basic		1.17	7.24	1.17	7.24
- Fully diluted		1.17	7.23	1.17	7.23

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2008.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2008

Attributable to Equity Holders of the Company

	Issued and fully paid ordinary shares of RM1 each		Treasury shares RM'000	Share premium RM'000	Statutory reserve RM'000	AFS reserve RM'000	Options reserve RM'000	Retained profits RM'000	Sub-total RM'000	Minority interests RM'000	Total equity RM'000
	Number of shares '000	Nominal value RM'000									
At 1 August 2008	255,178	265,845	(16,033)	33,090	52,557	(1,918)	431	412,358	746,330	12,609	758,939
Net change in fair value of securities AFS, net of tax	-	-	-	-	-	(3,913)	-	-	(3,913)	-	(3,913)
Net gain transferred to income statement on disposal of securities AFS	-	-	-	-	-	(38)	-	-	(38)	-	(38)
Net loss recognised directly in equity	-	-	-	-	-	(3,951)	-	-	(3,951)	-	(3,951)
Profit for the financial period	-	-	-	-	-	-	-	2,981	2,981	588	3,569
Total recognised income and expenses for the financial period	-	-	-	-	-	(3,951)	-	2,981	(970)	588	(382)
Options terminated	-	-	-	-	-	-	(11)	11	-	-	-
At 31 October 2008	255,178	265,845	(16,033)	33,090	52,557	(5,869)	420	415,350	745,360	13,197	758,557

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2008.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2008

Attributable to Equity Holders of the Company

	Issued and fully paid ordinary shares of RM1 each		Treasury shares RM'000	Share premium RM'000	Statutory reserve RM'000	AFS reserve RM'000	Options reserve RM'000	Retained profits RM'000	Sub-total RM'000	Minority interests RM'000	Total equity RM'000
	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	-	-	-	-	-	(1,270)	-	-	(1,270)	-	(1,270)
Net gain transferred to income statement on disposal of securities AFS	-	-	-	-	-	(1,340)	-	-	(1,340)	-	(1,340)
Net loss recognised directly in equity	-	-	-	-	-	(2,610)	-	-	(2,610)	-	(2,610)
Profit for the financial period	-	-	-	-	-	-	-	18,466	18,466	911	19,377
Total recognised income and expenses for the financial period	-	-	-	-	-	(2,610)	-	18,466	15,856	911	16,767
Option exercised	241	241	-	179	-	-	(23)	-	397	-	397
Dividend paid by a subsidiary to minority interests	-	-	-	-	-	-	-	-	-	(1,715)	(1,715)
At 31 October 2007	255,138	265,800	(16,024)	33,063	37,926	5,280	297	427,887	754,229	8,986	763,215

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2008.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2008

	3 months ended 31-Oct-08 RM'000	3 months ended 31-Oct-07 RM'000
Profit for the financial period	3,569	19,377
Adjustments for:		
Non-cash items	18,079	12,639
Non-operating items - investing	(8,787)	(5,560)
Non-operating items - financing	3,707	1,959
	16,568	28,415
Changes in working capital:		
Net changes in operating assets	(455,884)	(144,438)
Net changes in operating liabilities	(139,659)	563,343
	(578,975)	447,320
Interest paid	(20,468)	(5,034)
Tax paid	(3,181)	(11,097)
Net operating cash flow	(602,624)	431,189
Investing activities		
Net purchase of securities	(1,324)	(478,263)
Interest received from securities	8,426	3,223
Dividends and income distributions received	336	1,227
Acquisition of subsidiaries	102	-
Property, plant and equipment	(1,324)	(1,600)
Net investing cash flow	6,216	(475,413)
Financing activities		
Dividend paid by a subsidiary to minority interests	-	(1,715)
Interest paid	(1,302)	(903)
Net (repayment)/drawdown of borrowings	(12,000)	35,000
Issue of shares	-	397
Net financing cash flow	(13,302)	32,779
Net change in cash and cash equivalents	(609,710)	(11,445)
Cash and cash equivalents at beginning of the financial period	995,105	324,942
Cash and cash equivalents at end of the financial period	385,395	313,497
Cash and cash equivalents at end of the financial period comprise:		
Cash and short term funds	386,187	313,558
Bank overdrafts (Book)	(792)	(61)
	385,395	313,497

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2008.

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 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 2008.

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 2008.

The Group has reclassified certain securities held-for-trading ("HFT") to held-to-maturity ("HTM") category with effect from 1 August 2008 following the guidance as set out in the BNM Circular, "Reclassification of Securities under Specific Circumstances" as a consequence of the current illiquid market which resulted in the investment banking subsidiary no longer holding these securities for purpose of selling or trading over the near term. As such, the Group deemed that reclassifying the securities to HTM category would be appropriate and better reflect the financial results and position of the Group.

Disclosures of the impact of the reclassification on the financial statements of the Group are as follows:

- (a) Amount reclassified from securities HFT to HTM category with effect from 1 August 2008

	RM'000
Fair value of securities HFT reclassified to HTM category	<u>505,134</u>

- (b) Carrying amount and fair value of securities HFT reclassified to HTM category in the current quarter ended 31 October 2008

	As at
	31-Oct-08
	RM'000
Securities HFT reclassified to HTM category	
- Carrying amount	531,172
- Fair value	<u>494,693</u>

The effect of the reclassification is an increase in profit after taxation of the Group by approximately RM27.5 million, being the after tax effect of the unrecognised marked-to-market loss attributable to the reclassified assets for the current quarter and financial period ended 31 October 2008.

- (c) There is no fair value gain/(loss) being recognised by the investment banking subsidiary in the income statements of the Group in respect of the securities HFT reclassified to HTM category for the financial period ended 31 October 2008.
- (d) The effective interest rate of the securities HFT reclassified to HTM category as at 1 August 2008 is 6.61% per annum.

As at 1 August 2008, there is no significant change in the estimated amount of cash flows the Group expected to recover from the securities HFT reclassified to HTM category.

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

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

A2. Auditors' Report

The auditors' report of the most recent annual financial statements of the Group for the financial year ended 31 July 2008 was not subject to any qualification.

A3. Seasonal or Cyclical Factors

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

A4. Exceptional Items

There are no exceptional items for the current quarter and financial period ended 31 October 2008.

A5. Changes in Estimates

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

A7. Dividends

The Board of Directors has not declared or recommended the payment of dividend in respect of the current financial year ending 31 July 2009.

A final dividend of 5.0 sen per share, less current income tax at 25% proposed for the previous financial year ended 31 July 2008 has been approved by the shareholders of the Company at the Sixteenth Annual General Meeting held on 27 November 2008. The dividend is paid on 22 December 2008 to depositors registered in the Record of Depositors at the close of business on 5 December 2008.

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

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

A8. Securities Held-For-Trading

	As at 31-Oct-08 RM'000	As at 31-Jul-08 RM'000
At fair value		
Quoted in Malaysia:		
Shares, warrants and REITs	16,021	19,709
Loan stocks	1,567	1,741
Unit trusts	5,254	872
	22,842	22,322
Unquoted:		
Malaysian Government Securities	49,992	-
Negotiable instruments of deposits	30,053	219,989
Bankers' acceptances	585,457	321,235
Private and Islamic debt securities	313,596	665,713
	1,001,940	1,229,259

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

	As at 31-Oct-08 RM'000	As at 31-Jul-08 RM'000
At fair value		
Quoted in Malaysia:		
Shares	13,813	15,777
Unit trusts	5,697	6,894
	19,510	22,671
Unquoted:		
Malaysian Government Securities	10,012	10,000
At cost		
Unquoted:		
Shares	4,490	4,490
	34,012	37,161
Accumulated impairment losses	(4,000)	(4,000)
	30,012	33,161

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 RM13.8 million as at 31 October 2008 (As at 31 July 2008: RM15.8 million).

A10. Securities Held-To-Maturity

	As at 31-Oct-08 RM'000	As at 31-Jul-08 RM'000
At amortised cost		
Unquoted		
Private and Islamic debt securities	531,172	-
	531,172	-
Fair value of Private and Islamic debt securities	494,693	-

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

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

A11. Loans, Advances and Financing

	As at 31-Oct-08 RM'000	As at 31-Jul-08 RM'000
(a) By Type		
Term loans		
- bridging loans	29,075	73,980
- syndicated term loans	47,888	47,257
- other term loans	366,212	382,140
Share margin financing	125,384	156,783
Other financing	50,000	30,000
	618,559	690,160
Unearned interest	(125,271)	(111,959)
	493,288	578,201
Allowance for losses on loans, advances and financing:		
- general	(6,690)	(7,819)
- specific	(5,912)	(5,050)
Net loans, advances and financing	480,686	565,332
(b) By Type of Customer		
Domestic business enterprises		
- others	182,405	224,679
Individuals	149,609	206,052
Other domestic entities	147,779	133,893
Foreign entities	13,495	13,577
	493,288	578,201
(c) By Interest Rate Sensitivity		
Fixed rate		
- other fixed rate loans/financing	358,280	387,871
Variable rate		
- cost-plus	135,008	190,330
	493,288	578,201
(d) By Purpose		
Purchase of landed properties		
- non-residential	-	29,757
Purchase of securities	232,819	304,621
Working capital	68,381	49,796
Personal use	163,995	164,928
Others	28,093	29,099
	493,288	578,201

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

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

A11. Loans, Advances and Financing (cont'd)

	As at 31-Oct-08 RM'000	As at 31-Jul-08 RM'000
(e) Non-Performing Loans, Advances and Financing ("NPLs") by Purpose		
Purchase of securities	12,335	11,993
Working capital	959	959
Personal use	1,405	700
	<u>14,699</u>	<u>13,652</u>
(f) Movements in NPLs		
At beginning of the financial period	13,652	22,142
Classified as non-performing	1,762	6,151
Reclassified as performing	2	(892)
Amount recovered	(717)	(4,614)
Amount written off	-	(9,135)
At end of the financial period	<u>14,699</u>	<u>13,652</u>
Less: Specific allowance	<u>(5,912)</u>	<u>(5,050)</u>
Net NPLs	<u>8,787</u>	<u>8,602</u>
Net NPLs as a % of gross loans, advances and financing less specific allowance	<u>1.8%</u>	<u>1.5%</u>
(g) Movements in Allowance for Losses on Loans, Advances and Financing		
<u>General Allowance</u>		
At beginning of the financial period	7,819	3,262
Allowance (written back)/made	(1,129)	4,557
At end of the financial period	<u>6,690</u>	<u>7,819</u>
As a % of gross loans and advances less specific allowance	<u>1.4%</u>	<u>1.4%</u>
<u>Specific Allowance</u>		
At beginning of the financial period	5,050	11,738
Allowance made	914	2,552
Amount written back	(52)	(375)
Amount written off	-	(8,865)
At end of the financial period	<u>5,912</u>	<u>5,050</u>

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

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

A12. Clients' and Brokers' Balances

	As at 31-Oct-08	As at 31-Jul-08
Clients' and brokers' balances, net of allowance for bad and doubtful debts	370,926	162,109

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

<u>General Allowance</u>		
At beginning of the financial period	59	129
Allowance made/(written back)	28	(70)
At end of the financial period	87	59
<u>Specific Allowance</u>		
At beginning of the financial period	1,212	12,401
Allowance made	419	1,017
Amount written back	(148)	(904)
Amount written off	-	(11,302)
At end of the financial period	1,483	1,212

A13. Other Assets

	As at 31-Oct-08 RM'000	As at 31-Jul-08 RM'000
Trade receivables, net of allowance for doubtful debts of RM691,000 (2008: RM542,000)	10,010	8,481
Interest receivable	10,542	13,130
Statutory deposit	150	150
Clearing Guarantee Fund	1,884	1,870
Clearing Fund	1,000	1,000
Other receivables, deposits and prepayments	24,477	17,231
Other investments	2,906	2,906
	50,969	44,768

A14. Deposits from Customers

	As at 31-Oct-08 RM'000	As at 31-Jul-08 RM'000
(a) By Type of Deposit		
Fixed deposits	772,742	1,001,735
Negotiable instruments of deposits	47,700	50,500
	820,442	1,052,235
(b) By Type of Customer		
Government and statutory bodies	152,000	200,000
Business enterprises	609,925	790,969
Individuals	52,960	56,224
Others	5,557	5,042
	820,442	1,052,235

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

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

A15. Deposits and Placements of Banks and Other Financial Institutions

	As at 31-Oct-08 RM'000	As at 31-Jul-08 RM'000
Licensed banks	154,702	152,376
Licensed investment banks	70,000	20,000
Other financial institutions	812,521	953,172
	<u>1,037,223</u>	<u>1,125,548</u>

A16. Other Liabilities

	As at 31-Oct-08 RM'000	As at 31-Jul-08 RM'000
Trade payables	11,041	25,225
Interest payable	8,149	7,399
Other payables and accruals	225,855	226,089
	<u>245,045</u>	<u>258,713</u>

A17. Borrowings

(a) Total borrowings of the Group of RM301 million as at 31 October 2008 are unsecured of which RM120 million revolving credit lines 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 31-Oct-08 RM'000	As at 31-Jul-08 RM'000
Short term borrowings		
Revolving credits	300,000	312,000
Bank overdraft (Book)	792	-
	<u>300,792</u>	<u>312,000</u>
Long term borrowings	-	-
Total borrowings	<u>300,792</u>	<u>312,000</u>

(c) All borrowings are denominated in Ringgit Malaysia.

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

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

A18. Interest Income

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Oct-08 RM'000	3 months ended 31-Oct-07 RM'000	3 months ended 31-Oct-08 RM'000	3 months ended 31-Oct-07 RM'000
Loans, advances and financing				
- Interest income other than recoveries from NPLs	14,106	4,963	14,106	4,963
- Recoveries from NPLs	416	373	416	373
Money at call and deposit placements with financial institutions	7,633	2,770	7,633	2,770
Securities:				
- held-for-trading	7,788	1,399	7,788	1,399
- AFS	97	3,145	97	3,145
- held-to-maturity	8,329	78	8,329	78
Others	755	492	755	492
	<u>39,124</u>	<u>13,220</u>	<u>39,124</u>	<u>13,220</u>
Amortisation of premium less accretion of discount	775	(59)	775	(59)
Interest suspended	(77)	(212)	(77)	(212)
	<u>39,822</u>	<u>12,949</u>	<u>39,822</u>	<u>12,949</u>

A19. Interest Expense

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Oct-08 RM'000	3 months ended 31-Oct-07 RM'000	3 months ended 31-Oct-08 RM'000	3 months ended 31-Oct-07 RM'000
Deposits and placements of banks and other financial institutions	(9,686)	(3,351)	(9,686)	(3,351)
Deposits from customers	(6,206)	(1,389)	(6,206)	(1,389)
Borrowings	(3,707)	(1,959)	(3,707)	(1,959)
Others	(2,920)	(111)	(2,920)	(111)
	<u>(22,519)</u>	<u>(6,810)</u>	<u>(22,519)</u>	<u>(6,810)</u>

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

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

A20. Other Operating Income

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Oct-08 RM'000	3 months ended 31-Oct-07 RM'000	3 months ended 31-Oct-08 RM'000	3 months ended 31-Oct-07 RM'000
Fee and commission income:				
Brokerage	17,290	43,472	17,290	43,472
Unit trust management and incentive fees	7,830	9,647	7,830	9,647
Advisory and arranger fees	2,133	896	2,133	896
Underwriting commission and placement income	48	646	48	646
Service charges and fees	310	394	310	394
Other fees	2,312	1,728	2,312	1,728
	<u>29,923</u>	<u>56,783</u>	<u>29,923</u>	<u>56,783</u>
Net gain/(loss) arising from disposal of:				
- securities held-for-trading	1,355	4,069	1,355	4,069
- securities AFS	(212)	1,138	(212)	1,138
- derivatives	(267)	-	(267)	-
	<u>876</u>	<u>5,207</u>	<u>876</u>	<u>5,207</u>
Net unrealised gain/(loss) on :				
- securities held-for-trading	572	(3,173)	572	(3,173)
- derivatives	(11,810)	207	(11,810)	207
	<u>(11,238)</u>	<u>(2,966)</u>	<u>(11,238)</u>	<u>(2,966)</u>
Gross dividends/income distributions from :				
- securities held-for-trading	46	179	46	179
- securities AFS	354	1,170	354	1,170
	<u>400</u>	<u>1,349</u>	<u>400</u>	<u>1,349</u>
Other income:				
Initial service charge	3,384	8,730	3,384	8,730
Net foreign exchange gain/(loss):				
- realised	4,573	353	4,573	353
- unrealised	(2,485)	9	(2,485)	9
Rental Income	143	222	143	222
Others	709	607	709	607
	<u>6,324</u>	<u>9,921</u>	<u>6,324</u>	<u>9,921</u>
Total	<u>26,285</u>	<u>70,294</u>	<u>26,285</u>	<u>70,294</u>

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

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

A21. Other Operating Expenses

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Oct-08 RM'000	3 months ended 31-Oct-07 RM'000	3 months ended 31-Oct-08 RM'000	3 months ended 31-Oct-07 RM'000
Personnel costs:				
- Salaries, allowances and bonus	(13,024)	(14,483)	(13,024)	(14,483)
- Contributions to a defined contribution plan	(1,966)	(2,071)	(1,966)	(2,071)
- Others	(3,346)	(5,088)	(3,346)	(5,088)
	<u>(18,336)</u>	<u>(21,642)</u>	<u>(18,336)</u>	<u>(21,642)</u>
Establishment related costs:				
- Depreciation	(2,208)	(2,174)	(2,208)	(2,174)
- Rental of premises	(986)	(873)	(986)	(873)
- Rental of equipment	(681)	(711)	(681)	(711)
- Repairs and maintenance of premises and equipment	(277)	(339)	(277)	(339)
- Information technology expenses	(821)	(472)	(821)	(472)
- Others	(1,071)	(1,023)	(1,071)	(1,023)
	<u>(6,044)</u>	<u>(5,592)</u>	<u>(6,044)</u>	<u>(5,592)</u>
Promotion and marketing related expenses:				
- Promotion and business development	(2,570)	(3,678)	(2,570)	(3,678)
- Travelling and accommodation	(342)	(191)	(342)	(191)
- Others	(1,274)	(1,480)	(1,274)	(1,480)
	<u>(4,186)</u>	<u>(5,349)</u>	<u>(4,186)</u>	<u>(5,349)</u>
Administrative and general expenses:				
- Professional and consultancy fees	(497)	(501)	(497)	(501)
- Communication expenses	(1,169)	(1,060)	(1,169)	(1,060)
- Incentives and commission	(4,750)	(11,453)	(4,750)	(11,453)
- Regulatory charges	(1,206)	(2,605)	(1,206)	(2,605)
- Commission on standby letter of credit	-	(263)	-	(263)
- Others	(1,981)	(2,056)	(1,981)	(2,056)
	<u>(9,603)</u>	<u>(17,938)</u>	<u>(9,603)</u>	<u>(17,938)</u>
Total	<u>(38,169)</u>	<u>(50,521)</u>	<u>(38,169)</u>	<u>(50,521)</u>

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

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

A22. Write Back of Allowance/(Allowance) for Losses on Loans, Advances and Financing

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Oct-08 RM'000	3 months ended 31-Oct-07 RM'000	3 months ended 31-Oct-08 RM'000	3 months ended 31-Oct-07 RM'000
Allowance for bad and doubtful debts:				
Specific allowance				
- made during the financial period	(914)	-	(914)	-
- written back during the financial period	52	-	52	-
	<u>(862)</u>	<u>-</u>	<u>(862)</u>	<u>-</u>
General allowance				
- written back/(made) during the financial period	1,129	(1,683)	1,129	(1,683)
	<u>267</u>	<u>(1,683)</u>	<u>267</u>	<u>(1,683)</u>

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Oct-08 RM'000	3 months ended 31-Oct-07 RM'000	3 months ended 31-Oct-08 RM'000	3 months ended 31-Oct-07 RM'000
Allowance for bad and doubtful debts:				
Specific allowance				
- made during the financial period	(569)	(510)	(569)	(510)
- written back during the financial period	149	845	149	845
	<u>(420)</u>	<u>335</u>	<u>(420)</u>	<u>335</u>
General allowance				
- (made)/written back during the financial period	(28)	181	(28)	181
Bad debts:				
- recovered	136	9	136	9
	<u>(312)</u>	<u>525</u>	<u>(312)</u>	<u>525</u>

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

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

A24. Commitments and Contingencies

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

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

	As at 31-Oct-08			As at 31-Jul-08		
	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	67,985	67,985	41,985	65,050	65,050	65,050
Commitments to extend credits with maturity of less than 1 year:						
- loans, advances and financing	413,816	-	-	437,094	-	-
Foreign exchange related contracts:						
- less than 1 year	42,982	127	114	103,905	655	152
- 1 year to less than 5 years	319,950	38,409	19,205	319,950	38,554	16,692
Interest rate related contracts:						
- less than 1 year	1,275,000	1,878	714	1,205,000	1,752	876
- 1 year to less than 5 years	8,387,884	72,793	22,667	8,454,845	64,502	31,261
- more than 5 years	266,138	47,125	17,646	244,125	50,810	25,405
Equity related contracts:						
- less than 1 year	14	1	-	356	21	4
	10,773,769	228,318	102,331	10,830,325	221,344	139,440

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

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

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

A25. Other Commitments

	As at 31-Oct-08 RM'000	As at 31-Jul-08 RM'000
Capital expenditure commitments	12,971	14,245
Non-cancellable operating lease commitments	6,830	7,913
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
	<u>43,567</u>	<u>45,924</u>

A26. Capital Adequacy

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

	As at 31-Oct-08 RM'000	As at 31-Jul-08 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	203,699	204,985
Statutory reserve	52,557	52,557
	<u>756,256</u>	<u>757,542</u>
Less:		
Deferred tax assets	(2,407)	(1,864)
Goodwill	(110,002)	(110,002)
Total Tier I capital	<u>643,847</u>	<u>645,676</u>
<u>Tier II capital</u>		
General allowance for bad and doubtful debts	4,021	5,139
Total Tier II capital	<u>4,021</u>	<u>5,139</u>
Total capital	647,868	650,815
Less: Investment in subsidiaries	(3,081)	(3,081)
Capital base	<u>644,787</u>	<u>647,734</u>
Core capital ratio	29.3%	31.8%
Risk-weighted capital ratio	29.3%	31.9%
Core capital ratio (net of proposed dividend)	29.3%	31.2%
Risk-weighted capital ratio (net of proposed dividend)	29.3%	31.3%

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

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

A27. Interest Rate Risk

	Non-trading book						Sub-total RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000				
At 31 October 2008										
Assets										
Cash and short term funds	574,384	-	-	-	-	80,757	655,141	-	655,141	3.31
Deposit and placements with banks and other financial institutions	-	203,388	-	-	-	-	203,388	-	203,388	3.65
Securities held-for-trading	-	-	-	-	-	-	-	1,001,940	1,001,940	4.30
Securities AFS	-	-	-	10,012	-	20,000	30,012	-	30,012	3.69
Securities held-to-maturity	-	-	-	84,270	446,902	-	531,172	-	531,172	6.61
Loans, advances and financing:										
- performing	212,643	116,879	2,120	13,261	133,686	(6,690) *	471,899	-	471,899	10.48
- non-performing	-	-	-	-	-	8,787	8,787	-	8,787	-
Clients' and brokers' balances	1,564	-	-	-	-	369,362	370,926	-	370,926	9.00
Derivative assets	-	-	-	-	-	-	-	11,906	11,906	-
Other assets ⁽¹⁾	16,215	1,884	-	-	-	304,868	322,967	-	322,967	2.53
Total assets	804,806	322,151	2,120	107,543	580,588	777,084	2,594,292	1,013,846	3,608,138	
Liabilities										
Deposits from customers	410,353	405,589	4,500	-	-	-	820,442	-	820,442	3.54
Deposits and placements of banks and other financial institutions	769,781	123,170	137,143	7,129	-	-	1,037,223	-	1,037,223	3.52
Clients' and brokers' balances	95,742	-	-	-	-	303,517	399,259	-	399,259	2.79
Derivative liabilities	-	-	-	-	-	-	-	44,572	44,572	-
Other liabilities ⁽²⁾	165,604	2,220	-	-	-	79,469	247,293	-	247,293	3.26
Borrowings	125,000	25,000	150,000	-	-	792	300,792	-	300,792	4.97
Total liabilities	1,566,480	555,979	291,643	7,129	-	383,778	2,805,009	44,572	2,849,581	
Total equity	-	-	-	-	-	758,557	758,557	-	758,557	-
Total liabilities and equity	1,566,480	555,979	291,643	7,129	-	1,142,335	3,563,566	44,572	3,608,138	
On-balance sheet interest sensitivity gap	(761,674)	(233,828)	(289,523)	100,414	580,588	(365,251)	(969,274)	969,274	-	
Off-balance sheet interest sensitivity gap	(237,258)	314,683	(575,552)	(7,105,221)	(288,115)	-	(7,891,463)	-	(7,891,463)	
Total interest sensitivity gap	(998,932)	80,855	(865,075)	(7,004,807)	292,473	(365,251)	(8,860,737)	969,274	(7,891,463)	

⁽¹⁾ Other assets include Other assets, Statutory deposits with Bank Negara Malaysia, Tax recoverable, Deferred tax assets, 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.

⁽²⁾ 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 PERIOD ENDED 31 OCTOBER 2008

A27. Interest Rate Risk (cont'd)

	Non-trading book						Sub-total RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000				
At 31 July 2008										
Assets										
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 ⁽¹⁾	9,551	1,870	-	-	-	308,770	320,191	-	320,191	2.15
Total assets	1,457,458	300,649	15,924	22,183	121,077	568,250	2,485,541	1,244,214	3,729,755	
Liabilities										
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 ⁽²⁾	174,669	-	-	-	-	85,332	260,001	-	260,001	3.26
Borrowings	87,000	50,000	175,000	-	-	-	312,000	-	312,000	4.99
Total liabilities	2,084,289	419,216	200,628	47,051	-	195,461	2,946,645	24,171	2,970,816	
Total equity	-	-	-	-	-	758,939	758,939	-	758,939	-
Total liabilities and equity	2,084,289	419,216	200,628	47,051	-	954,400	3,705,584	24,171	3,729,755	
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)	
Total interest sensitivity gap	(885,556)	276,128	(859,704)	(7,229,713)	(123,048)	(386,150)	(9,208,043)	1,220,043	(7,988,000)	

⁽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.

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.

⁽²⁾ 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 PERIOD ENDED 31 OCTOBER 2008

A28. Segmental Information

The Group is organised into the following business segments:

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

Primary reporting format - Business segment

3 months ended 31 October 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 *	26,953	44,907	142	360	10,347	473	-	83,182
Inter-segment revenue	-	562	1,063	18,138	-	629	(20,392)	-
Total revenue	26,953	45,469	1,205	18,498	10,347	1,102	(20,392)	83,182
Results								
Segment results	3,997	(3,128)	833	(2,142)	6,246	(163)	652	6,295
Unallocated income								66
Unallocated expenses								(987)
								<u>5,374</u>
Share of results of jointly controlled entities, net of tax	-	(2)	-	-	-	-	-	(2)
Profit before taxation								5,372
Taxation								(1,803)
Profit for the financial period								<u>3,569</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.

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

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

A28. Segmental information (cont'd)

Primary reporting format - Business segment (cont'd)

3 months ended 31 October 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 *	55,147	26,435	222	427	1,795	377	-	84,403
Inter-segment revenue	-	21	1,058	53,023	-	564	(54,666)	-
Total revenue	55,147	26,456	1,280	53,450	1,795	941	(54,666)	84,403
Results								
Segment results	27,859	(2,833)	814	(307)	1,121	(69)	(248)	26,337
Unallocated income								59
Unallocated expenses								(1,642)
								<u>24,754</u>
Share of results of jointly controlled entities, net of tax	-	21	-	(157)	-	-	-	(136)
Profit before taxation								24,618
Taxation								(5,241)
Profit for the financial period								<u>19,377</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.

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

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

A29. Valuation of Property, Plant and Equipment

Not applicable.

A30. Subsequent Events

There are no material events subsequent to the end of the financial period ended 31 October 2008 except that on 12 November 2008, the Company entered into a Subscription and Joint Venture Agreement ("SJV Agreement") with DBS Asset Management Ltd. ("DBSAM") and its wholly-owned subsidiary, Asian Islamic Investment Management Sdn. Bhd. (formerly known as HwangDBS Resources Sdn. Bhd.) ("AIIMAN"), with the intention of operating AIIMAN as a foreign Islamic fund management company.

Pursuant to the SJV Agreement, the authorised share capital of AIIMAN was increased from RM5 million to RM10 million and its issued and paid-up share capital increased from RM3 million to RM10 million by the issuance and allotment of 7,000,000 ordinary shares at a subscription price of RM1 each to the following shareholders:

	No. of ordinary shares allotted '000
The Company	1,900
DBSAM	5,100
	<u>7,000</u>

The transaction was completed on 13 November 2008. With the issuance of 5,100,000 ordinary shares to DBSAM, the Company's equity interest in AIIMAN is reduced to 49% and AIIMAN ceased to be a subsidiary of the Company.

A31. Changes in the Composition of the Group

There are no changes in the composition of the Group for the current quarter and financial period ended 31 October 2008 except that on 25 September 2008, the Company has completed the acquisition of the remaining 50% equity interests in its jointly controlled entities, HDM Private Equity Sdn. Bhd. (formerly known as DBS HDM Capital Sdn. Bhd.) ("HPE") and HDM Capital Management Sdn. Bhd. (formerly known as DBS HDM Capital Management Sdn. Bhd.) ("HCM") for a total cash consideration of RM126,910. Both HPE and HCM became wholly-owned subsidiaries of the Company on even date.

There is no significant effect arising from the acquisition of the subsidiaries on the Group's financial results and financial position for the financial year ending 31 July 2009.

A32. Changes in Contingent Liabilities or Contingent Assets

Please refer to explanatory note A24.

A33. Related Party Transactions

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

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 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 for the first quarter ended 31 October 2008 registered a decrease of 1.4% to RM83.2 million as compared to the corresponding quarter ended 31 October 2007. This is mainly attributable to the lower brokerage income generated by the stockbroking division of the investment banking subsidiary in line with the bearish market conditions in Bursa Securities as a result of the global financial crisis. In addition, the fund management activities also registered lower initial service fee income in the current quarter. These were, however, offset by the higher net interest income and net foreign exchange gain arising from the investment banking activities of the Group.

For the current quarter under review, the Group registered a 78.2% decline in pretax profit to RM5.4 million from RM24.6 million recorded in the corresponding period of the preceding financial year. The Group's performance for the current quarter was impacted by the lower stockbroking brokerage income and the higher unrealised loss on interest-rate related derivatives as a result of the adverse movements in interest rates. This is mitigated by an increase in net interest income and net foreign exchange gain.

The profit after taxation of Group for the current quarter ended 31 October 2008 of RM3.6 million represents a 81.6% reduction against the corresponding quarter in the previous financial year in tandem with the lower pretax profit.

Except for the effects of reclassification of securities as disclosed in explanatory note A1, there are no abnormal circumstances that have affected or will affect the business and financial position of the Group for the current quarter under review.

In the opinion of the Board of Directors, no item, transaction or event of a material and unusual nature has arisen which would affect substantially the results of the operations of the Group for the financial period from 31 October 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 pretax profit of RM5.4 million for the current quarter under review as compared to a pretax loss of RM4.9 million in the fourth quarter of financial year 2008. The pretax profit is mainly attributable to net unrealised marked-to-market gain on securities held-for-trading and higher net interest income coupled with write back of general allowance for losses on loans, advances and financing. These were partially offset by lower fee income and increase in net unrealised marked-to-market loss on derivatives.

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

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

B3. Commentary

(a) Current Year's Prospects

The ongoing global financial market turmoil and extreme volatilities around the world have created an increasingly challenging economic environment with deterioration in growth prospects, squeeze in global liquidity, higher credit risk and inflationary pressures.

The downward spiral of the equity markets and deeper recession in the US and other major economies have dampened the outlook with expectations of a prolonged bearish equity market in the region. External factors will influence the market direction of the local bourse with expectations of more volatile downside trading. Consequently, contributions from the stockbroking activities of the Group is expected to decrease significantly in the current year under review.

As a consequence of the volatile financial markets and bearish stock market sentiments, the activities in the fixed income and debt capital markets in which the Group operates are expected to be depressed. IPOs and corporate mandates are likewise expected to slowdown for the rest of the financial year.

Against a backdrop of weakening economy, bearish financial market and increasing cost pressures, the Board of Directors is of the view that the earnings outlook of the Group for the financial year ending 31 July 2009 will remain challenging.

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

Not applicable.

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

Not applicable.

B5. Profit Forecast and Profit Guarantee

Not applicable.

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

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

B6. Taxation

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Oct-08 RM'000	3 months ended 31-Oct-07 RM'000	3 months ended 31-Oct-08 RM'000	3 months ended 31-Oct-07 RM'000
In respect of the current financial period:				
Malaysian income tax	(2,162)	(6,431)	(2,162)	(6,431)
Deferred tax	370	1,097	370	1,097
	<u>(1,792)</u>	<u>(5,334)</u>	<u>(1,792)</u>	<u>(5,334)</u>
In respect of prior financial years:				
Malaysian income tax	-	93	-	93
Deferred tax	(11)	-	(11)	-
	<u>(1,803)</u>	<u>(5,241)</u>	<u>(1,803)</u>	<u>(5,241)</u>

The effective tax rate for the current quarter ended 31 October 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 October 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 period ended 31 October 2008.

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 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 loss arising therefrom are as follows:

	Current quarter and financial period ended 31-Oct-08 RM'000
(i) Total Purchase Consideration	<u>2,979</u>
(ii) Total Sales Proceeds	<u>1,492</u>
(iii) Total Loss on Disposal	<u>(244)</u>

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

	RM'000
(i) At Cost	<u>21,207</u>
(ii) At Book Value	<u>15,796</u>
(iii) At Market Value	<u>15,796</u>

B9. Status of Corporate Proposals

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

B10. Group Borrowings and Debt Securities

Please refer to explanatory note A17.

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 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	42,982	42,982	-	-	-	-	-
- cross currency interest rate swaps	319,950	-	319,950	-	-	-	-
Interest rate related contracts:							
- forward contracts	43,463	-	-	5,329	5,357	32,777	-
- futures contracts	7,888,000	-	190,000	245,000	540,000	6,913,000	9,424
- interest rate swaps	1,997,559	472,743	1,304,682	220,134	-	-	-
Equity related contracts:							
- options	14	14	-	-	-	-	-
	10,291,968	515,739	1,814,632	470,463	545,357	6,945,777	9,424

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 RM11.8 million (At 31 July 2008: RM15 million) and RM4.7 million respectively (At 31 July 2008: RM4.8 million). 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 RM9.7 million (At 31 July 2008: RM7.3 million), while the notional amount of interest rate contracts which were outstanding as at the balance sheet date amounted to RM7.3 billion (At 31 July 2008: RM7.1 billion) respectively.

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 PERIOD ENDED 31 OCTOBER 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) 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 the court has fixed 18 February 2009 for clarification/decision of the appeal.
- (b) 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 24 February 2009 for continued hearing.

B13. Dividends

Please refer to explanatory note A7.

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

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

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Oct-08	3 months ended 31-Oct-07	3 months ended 31-Oct-08	3 months ended 31-Oct-07
Profit for the financial period attributable to equity holders of the Company (RM'000)	2,981	18,466	2,981	18,466
Weighted average number of ordinary shares in issue ('000)	255,178	254,953	255,178	254,953
Basic earnings per share (sen)	1.17	7.24	1.17	7.24
Profit for the financial period attributable to equity holders of the Company (RM'000)	2,981	18,466	2,981	18,466
Weighted average number of ordinary shares in issue ('000):				
- in issue during the financial period (as above)	255,178	254,953	255,178	254,953
- adjustment made for share options	-	368	-	368
	255,178	255,321	255,178	255,321
Diluted earnings per share (sen)	1.17	7.23	1.17	7.23

By Order of the Board

Chen Mun Peng
Tan Lee Peng
Company Secretaries

Penang
22 December 2008