

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED BALANCE SHEET AS AT 31 JANUARY 2010**

|   | Note | As at<br>31-Jan-10<br>RM'000 | As at<br>31-Jul-09<br>RM'000 |
|---|------|------------------------------|------------------------------|
| <b>Assets</b>   |      |                              |                              |
| Cash and short term funds   |      | 1,115,477                    | 847,215                      |
| Deposits and placements with banks and other financial institutions |      | 338,159                      | 87,781                       |
| Securities held-for-trading   | A8   | 656,848                      | 425,408                      |
| Securities available-for-sale ("AFS")                               | A9   | 161,986                      | 86,032                       |
| Securities held-to-maturity   | A10  | 507,499                      | 530,805                      |
| Loans, advances and financing                                       | A11  | 505,954                      | 488,769                      |
| Clients' and brokers' balances                                      | A12  | 262,600                      | 401,084                      |
| Derivative assets   |      | 16,957                       | 22,759                       |
| Other assets  | A13  | 50,614                       | 42,470                       |
| Statutory deposits with Central Banks                               |      | 13,480                       | 11,332                       |
| Tax recoverable   |      | 9,532                        | 7,804                        |
| Deferred tax assets   |      | 4,615                        | 4,099                        |
| Investment in an associate  |      | 3,592                        | 4,061                        |
| Property, plant and equipment                                       |      | 57,177                       | 60,248                       |
| Investment properties   |      | 6,089                        | 6,138                        |
| Intangible assets   |      | 162,509                      | 162,509                      |
|   |      | <b><u>3,873,088</u></b>      | <b><u>3,188,514</u></b>      |
| <b>Liabilities</b>  |      |                              |                              |
| Deposits from customers   | A14  | 673,464                      | 505,371                      |
| Deposits and placements of banks and other financial institutions   | A15  | 1,426,280                    | 800,926                      |
| Clients' and brokers' balances                                      |      | 256,353                      | 366,630                      |
| Derivative liabilities  |      | 39,298                       | 49,284                       |
| Other liabilities   | A16  | 307,231                      | 341,823                      |
| Taxation  |      | 11,882                       | 4,716                        |
| Deferred tax liabilities  |      | 645                          | 581                          |
| Borrowings  | A17  | 351,500                      | 334,500                      |
| <b>Total liabilities</b>  |      | <b><u>3,066,653</u></b>      | <b><u>2,403,831</u></b>      |
| <b>Equity</b>   |      |                              |                              |
| Share capital   |      | 265,845                      | 265,845                      |
| Reserves  |      | 542,675                      | 520,963                      |
| Treasury shares, at cost  |      | (16,054)                     | (16,046)                     |
|   |      | <u>792,466</u>               | <u>770,762</u>               |
| Minority interests  |      | 13,969                       | 13,921                       |
| <b>Total equity</b>   |      | <b><u>806,435</u></b>        | <b><u>784,683</u></b>        |
| <b>Total liabilities and equity</b>                                 |      | <b><u>3,873,088</u></b>      | <b><u>3,188,514</u></b>      |
| <b>Net assets per share (RM)</b>                                    |      | <b><u>3.11</u></b>           | <b><u>3.02</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 2009.

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED INCOME STATEMENT**  
**FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2010**

|   | Note | <u>Individual Quarter</u>                |  | <u>Cumulative Quarter</u>                |  |
|---|------|--|--|--|--|
|   |      | 3 months<br>ended<br>31-Jan-10<br>RM'000 | 3 months<br>ended<br>31-Jan-09<br>RM'000 | 6 months<br>ended<br>31-Jan-10<br>RM'000 | 6 months<br>ended<br>31-Jan-09<br>RM'000 |
| Operating revenue   |      | 86,377                                   | 57,103                                   | 173,366                                  | 140,285                                  |
| Interest income   | A18  | 39,855                                   | 38,549                                   | 78,220                                   | 78,371                                   |
| Interest expense  | A19  | (17,013)                                 | (22,486)                                 | (32,264)                                 | (45,005)                                 |
| <b>Net interest income</b>  |      | <b>22,842</b>                            | <b>16,063</b>                            | <b>45,956</b>                            | <b>33,366</b>                            |
| Other operating income  | A20  | 47,058                                   | 15,103                                   | 97,077                                   | 41,388                                   |
|   |      | 69,900                                   | 31,166                                   | 143,033                                  | 74,754                                   |
| Other operating expenses  | A21  | (44,329)                                 | (31,551)                                 | (87,923)                                 | (69,720)                                 |
|   |      | 25,571                                   | (385)                                    | 55,110                                   | 5,034                                    |
| (Allowance)/Write back of allowance for losses<br>on loans, advances and financing                              | A22  | (1,032)                                  | 541                                      | (6,661)                                  | 808                                      |
| Write back of allowance/(allowance) for bad<br>and doubtful debts on clients' balances and<br>trade receivables | A23  | 78                                       | 166                                      | 295                                      | (146)                                    |
| Impairment loss on securities AFS   |      | -  | -  | (650)                                    | -  |
|   |      | 24,617                                   | 322                                      | 48,094                                   | 5,696                                    |
| Share of results of an associate,<br>net of tax   |      | (121)                                    | (269)                                    | (469)                                    | (269)                                    |
| Share of results of jointly controlled entities,<br>net of tax  |      | -  | -  | -  | (2)                                      |
| <b>Profit before taxation</b>   |      | <b>24,496</b>                            | <b>53</b>                                | <b>47,625</b>                            | <b>5,425</b>                             |
| Taxation  | B6   | (6,820)                                  | (281)                                    | (12,673)                                 | (2,084)                                  |
| <b>Profit/(Loss) for the financial period</b>   |      | <b>17,676</b>                            | <b>(228)</b>                             | <b>34,952</b>                            | <b>3,341</b>                             |
| <b>Attributable to:</b>   |      |  |  |  |  |
| Equity holders of the Company   |      | 16,840                                   | (1,110)                                  | 33,141                                   | 1,871                                    |
| Minority interests  |      | 836                                      | 882                                      | 1,811                                    | 1,470                                    |
|   |      | <b>17,676</b>                            | <b>(228)</b>                             | <b>34,952</b>                            | <b>3,341</b>                             |
| <b>Earnings/(Loss) per share attributable to<br/>equity holders of the Company (sen)</b>                        | B14  |  |  |  |  |
| - Basic   |      | 6.60                                     | (0.43)                                   | 12.99                                    | 0.73                                     |
| - Fully diluted   |      | 6.60                                     | (0.43)                                   | 12.99                                    | 0.73                                     |

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2009.

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2010**

**Attributable to Equity Holders of the Company**

|   | <b>Issued and fully paid<br/>ordinary shares of RM1 each</b> |                                     |                                       |                                     |   |                                   |  |  |                             |  |                                    |
|---|--|-------------------------------------|---------------------------------------|-------------------------------------|---|-----------------------------------|--|--|-----------------------------|--|------------------------------------|
|   | <b>Number of<br/>shares<br/>'000</b>                         | <b>Nominal<br/>value<br/>RM'000</b> | <b>Treasury<br/>shares<br/>RM'000</b> | <b>Share<br/>premium<br/>RM'000</b> | <b>Statutory<br/>reserve<br/>RM'000</b> | <b>AFS<br/>reserve<br/>RM'000</b> | <b>Foreign<br/>exchange<br/>reserve<br/>RM'000</b> | <b>Retained<br/>profits<br/>RM'000</b> | <b>Sub-total<br/>RM'000</b> | <b>Minority<br/>interests<br/>RM'000</b> | <b>Total<br/>equity<br/>RM'000</b> |
| At 1 August 2009  | 255,168  | 265,845                             | (16,046)                              | 33,090                              | 61,321                                  | 1,574                             | (768)  | 425,746                                | 770,762                     | 13,921                                   | 784,683                            |
| Currency translation differences  | -  | -                                   | -                                     | -                                   | -                                       | -                                 | (2,194)  | -                                      | (2,194)                     | -  | (2,194)                            |
| Net change in fair value of securities AFS,<br>net of tax                 | -  | -                                   | -                                     | -                                   | -                                       | 1,584                             | -  | -                                      | 1,584                       | -  | 1,584                              |
| Net gain transferred to income statement on<br>disposal of securities AFS | -  | -                                   | -                                     | -                                   | -                                       | (1,250)                           | -  | -                                      | (1,250)                     | -  | (1,250)                            |
| Net gain/(loss) recognised directly in equity                             | -  | -                                   | -                                     | -                                   | -                                       | 334                               | (2,194)  | -                                      | (1,860)                     | -  | (1,860)                            |
| Profit for the financial period   | -  | -                                   | -                                     | -                                   | -                                       | -                                 | -  | 33,141                                 | 33,141                      | 1,811                                    | 34,952                             |
| Total recognised income and expenses<br>for the financial period          | -  | -                                   | -                                     | -                                   | -                                       | 334                               | (2,194)  | 33,141                                 | 31,281                      | 1,811                                    | 33,092                             |
| Shares repurchased held as treasury shares at cost                        | (5)  | -                                   | (8)                                   | -                                   | -                                       | -                                 | -  | -                                      | (8)                         | -  | (8)                                |
| Final dividend for the financial year ended 31 July 2009                  | -  | -                                   | -                                     | -                                   | -                                       | -                                 | -  | (9,569)                                | (9,569)                     | -  | (9,569)                            |
| Dividend paid by a subsidiary to minority interests                       | -  | -                                   | -                                     | -                                   | -                                       | -                                 | -  | -                                      | -                           | (1,763)                                  | (1,763)                            |
| <b>At 31 January 2010</b>   | <b>255,163</b>   | <b>265,845</b>                      | <b>(16,054)</b>                       | <b>33,090</b>                       | <b>61,321</b>                           | <b>1,908</b>                      | <b>(2,962)</b>                                     | <b>449,318</b>                         | <b>792,466</b>              | <b>13,969</b>                            | <b>806,435</b>                     |

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2009.

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2010**

**Attributable to Equity Holders of the Company**

|   | <b>Issued and fully paid<br/>ordinary shares of RM1 each</b> |                                     | <b>Treasury<br/>shares<br/>RM'000</b> | <b>Share<br/>premium<br/>RM'000</b> | <b>Statutory<br/>reserve<br/>RM'000</b> | <b>AFS<br/>reserve<br/>RM'000</b> | <b>Options<br/>reserve<br/>RM'000</b> | <b>Retained<br/>profits<br/>RM'000</b> | <b>Sub-total<br/>RM'000</b> | <b>Minority<br/>interests<br/>RM'000</b> | <b>Total<br/>equity<br/>RM'000</b> |
|---|--|-------------------------------------|---------------------------------------|-------------------------------------|---|-----------------------------------|---------------------------------------|--|-----------------------------|--|------------------------------------|
|   | <b>Number of<br/>shares<br/>'000</b>                         | <b>Nominal<br/>value<br/>RM'000</b> |                                       |                                     |   |                                   |                                       |  |                             |  |                                    |
| 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,<br>net of tax                 | -  | -                                   | -                                     | -                                   | -                                       | (3,256)                           | -                                     | -                                      | (3,256)                     | -  | (3,256)                            |
| Net loss transferred to income statement on<br>disposal of securities AFS | -  | -                                   | -                                     | -                                   | -                                       | 1,312                             | -                                     | -                                      | 1,312                       | -  | 1,312                              |
| Net loss recognised directly in equity                                    | -  | -                                   | -                                     | -                                   | -                                       | (1,944)                           | -                                     | -                                      | (1,944)                     | -  | (1,944)                            |
| Profit for the financial period   | -  | -                                   | -                                     | -                                   | -                                       | -                                 | -                                     | 1,871                                  | 1,871                       | 1,470                                    | 3,341                              |
| Total recognised income and expenses<br>for the financial period          | -  | -                                   | -                                     | -                                   | -                                       | (1,944)                           | -                                     | 1,871                                  | (73)                        | 1,470                                    | 1,397                              |
| Options terminated  | -  | -                                   | -                                     | -                                   | -                                       | -                                 | (14)                                  | 14                                     | -                           | -  | -                                  |
| Shares repurchased held as treasury shares at cost                        | (5)  | -                                   | (5)                                   | -                                   | -                                       | -                                 | -                                     | -                                      | (5)                         | -  | (5)                                |
| Final dividend for the financial year ended 31 July 2008                  | -  | -                                   | -                                     | -                                   | -                                       | -                                 | -                                     | (9,569)                                | (9,569)                     | -  | (9,569)                            |
| Dividend paid by a subsidiary to minority interests                       | -  | -                                   | -                                     | -                                   | -                                       | -                                 | -                                     | -                                      | -                           | (1,762)                                  | (1,762)                            |
| <b>At 31 January 2009</b>   | <b>255,173</b>   | <b>265,845</b>                      | <b>(16,038)</b>                       | <b>33,090</b>                       | <b>52,557</b>                           | <b>(3,862)</b>                    | <b>417</b>                            | <b>404,674</b>                         | <b>736,683</b>              | <b>12,317</b>                            | <b>749,000</b>                     |

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2009.

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2010**

|  | <b>6 months<br/>ended<br/>31-Jan-10<br/>RM'000</b> | <b>6 months<br/>ended<br/>31-Jan-09<br/>RM'000</b> |
|--|--|--|
| Profit for the financial period  | 34,952   | 3,341  |
| <b>Adjustments for:</b>  |  |  |
| Non-cash items   | 43,418   | 30,917   |
| Non-operating items - investing  | (21,217)   | (16,430)   |
| Non-operating items - financing  | 6,159  | 7,882  |
|  | 63,312   | 25,710   |
| <b>Changes in working capital:</b>   |  |  |
| Net changes in operating assets  | (372,092)  | (78,452)   |
| Net changes in operating liabilities   | 674,747  | (330,522)  |
|  | 365,967  | (383,264)  |
| Interest paid  | (23,366)   | (38,098)   |
| Tax paid   | (7,660)  | (5,683)  |
| <b>Net operating cash flow</b>   | <b>334,941</b>                                     | <b>(427,045)</b>                                   |
| <b>Investing activities</b>  |  |  |
| Net purchase of securities   | (58,828)   | (3,251)  |
| Interest received from securities  | 17,078   | 17,052   |
| Dividends and income distributions received                                  | 1,681  | 573  |
| Acquisition of remaining 50% equity interests in jointly controlled entities | -  | 102  |
| Dilution of equity interests in a subsidiary                                 | -  | (1,994)  |
| Proceeds from disposal of other investments                                  | 12   | -  |
| Property, plant and equipment  | (2,861)  | (1,703)  |
| <b>Net investing cash flow</b>   | <b>(42,918)</b>                                    | <b>10,779</b>                                      |
| <b>Financing activities</b>  |  |  |
| Dividend paid  | (9,569)  | (9,569)  |
| Dividend paid by a subsidiary to minority interests                          | (1,763)  | (1,762)  |
| Interest paid  | (2,608)  | (3,405)  |
| Net drawdown of borrowings   | 17,000   | 28,000   |
| Shares repurchased   | (8)  | (5)  |
| <b>Net financing cash flow</b>   | <b>3,052</b>                                       | <b>13,259</b>                                      |
| <b>Net change in cash and cash equivalents</b>                               | 295,075  | (403,007)  |
| <b>Foreign exchange differences</b>  | (706)  | -  |
| <b>Cash and cash equivalents at beginning of the financial period</b>        | 527,520  | 995,105  |
| <b>Cash and cash equivalents at end of the financial period</b>              | <b>821,889</b>                                     | <b>592,098</b>                                     |
| <b>Cash and cash equivalents at end of the financial period comprise:</b>    |  |  |
| Cash and short term funds  | 821,889  | 592,265  |
| Bank overdrafts (Book)   | -  | (167)  |
|  | <b>821,889</b>                                     | <b>592,098</b>                                     |

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2009.

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2010**

**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 Bursa Malaysia Securities Berhad Main Market Listing Requirements. The interim financial report should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2009.

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 2009 except for the changes in estimates as disclosed in explanatory note A5 and the adoption of Financial Reporting Standard ("FRS") 8, Operating Segments which is effective for the Group's financial year ending 31 July 2010. The adoption of FRS 8 does not have any significant financial impact on the financial statements of the Group. Please refer to explanatory note A28.

The general loan loss allowance made by the foreign commercial banking subsidiary is based on a minimum percentage (as specified by the National Bank of Cambodia) of its loans and advances portfolio.

**A2 Auditors' Report**

The auditors' report of the most recent annual financial statements of the Group for the financial year ended 31 July 2009 was not subject to any qualification.

**A3 Seasonal or Cyclical Factors**

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

**A4 Exceptional Items**

There are no exceptional items for the current quarter and financial period ended 31 January 2010.

**A5 Changes in Estimates**

There are no material changes in accounting estimates used in the preparation of the interim financial report for the current quarter and financial period ended 31 January 2010 as compared with the prior financial year except for the following:

- (a) The investment banking subsidiary has increased the general allowance percentage on share margin financing from 1.0% to 1.5% to align with the minimum requirements of the Guidelines on Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts issued by BNM (Revised BNM/GP3); and
- (b) General allowance is no longer required in respect of clients' and brokers' balances of the the investment banking subsidiary following the revision of the Rules of Bursa Malaysia Securities Berhad.

Previously, the investment banking subsidiary made a 1.0% general allowance in respect of total trade receivables (as defined under the Rules of Bursa Malaysia Securities Berhad), after deducting the amount of specific allowance and interest-in-suspense.

The effects of the abovestated changes in accounting estimates, which have been accounted for prospectively in accordance with FRS 108, Accounting Policies, Change in Accounting Estimates and Errors, is a reduction in profit before taxation of the Group by RM549,000 for the financial period ended 31 January 2010.

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2010**

**A6 Debts and Equity Securities**

There are no issuance, cancellations, repurchase, resale and repayments of debt and equity securities for the financial period ended 31 January 2010 except that the Company has purchased back 5,000 ordinary shares of RM1 each for cash from the open market at an average price of RM1.65 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:

| <b>Month</b>  | <b>Number<br/>of Shares<br/>Purchased</b> | <b>Highest<br/>Price<br/>RM</b> | <b>Lowest<br/>Price<br/>RM</b> | <b>Average<br/>Price*<br/>RM</b> | <b>Total<br/>Amount<br/>RM</b> |
|---------------|---|---------------------------------|--------------------------------|----------------------------------|--------------------------------|
| December 2009 | <u>5,000</u>                              | 1.65                            | 1.60                           | 1.65                             | <u>8,261</u>                   |

\* The average price includes stamp duty, brokerage and clearing fees.

**A7 Dividends**

A first and final dividend of 5.0 sen per ordinary share, less 25% income tax, amounting to RM9,568,796 in respect of the previous financial year ended 31 July 2009 was paid on 21 December 2009.

The Board of Directors has declared an interim dividend of 2.5 sen per ordinary share, less 25% income tax, amounting to RM4,784,304 based on the issued and paid-up share capital of the Company as at 31 January 2010, in respect of the current financial year ending 31 July 2010. (Previous financial year ended 31 July 2009: No interim dividend was declared).

NOTICE IS HEREBY GIVEN THAT an interim dividend of 2.5 sen per ordinary share, less 25% income tax will be payable to shareholders of the Company registered in the Record of Depositors at the close of business on 16 April 2010. The said dividend will be paid on 3 May 2010.

A depositor shall qualify for entitlement only in respect of:

- (a) shares transferred into the depositor's securities account before 4.00 pm on 16 April 2010 in respect of ordinary transfers; and
- (b) shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Securities.

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2010**

**A8 Securities Held-For-Trading**

|                                     | <b>As at<br/>31-Jan-10<br/>RM'000</b> | <b>As at<br/>31-Jul-09<br/>RM'000</b> |
|-------------------------------------|---------------------------------------|---------------------------------------|
| <b>At fair value</b>                |                                       |                                       |
| Quoted in Malaysia:                 |                                       |                                       |
| Shares, warrants and REITs          | 20,212                                | 19,530                                |
| Loan stocks                         | 1,640                                 | 1,393                                 |
| Unit trusts                         | 74,665                                | 11,975                                |
|                                     | 96,517                                | 32,898                                |
| Unquoted:                           |                                       |                                       |
| <i>In Malaysia</i>                  |                                       |                                       |
| Malaysian Government Securities     | 49,775                                | 51,216                                |
| Negotiable instruments of deposits  | -                                     | 30,053                                |
| Bankers' acceptances                | 201,060                               | 132,480                               |
| Private and Islamic debt securities | 284,729                               | 178,761                               |
| <i>Outside Malaysia</i>             |                                       |                                       |
| Private debt securities             | 24,767                                | -                                     |
|                                     | <b>656,848</b>                        | <b>425,408</b>                        |

Included in securities held-for-trading are unit trusts held by the Group, which are under unit trust funds managed by a subsidiary, HwangDBS Investment Management Berhad ("HDBSIM").

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

|                                     | <b>As at<br/>31-Jan-10<br/>RM'000</b> | <b>As at<br/>31-Jul-09<br/>RM'000</b> |
|-------------------------------------|---------------------------------------|---------------------------------------|
| <b>At fair value</b>                |                                       |                                       |
| Quoted in Malaysia:                 |                                       |                                       |
| Shares                              | 15,154                                | 13,650                                |
| Unit trusts                         | 5,884                                 | 5,382                                 |
|                                     | 21,038                                | 19,032                                |
| Unquoted:                           |                                       |                                       |
| <i>In Malaysia</i>                  |                                       |                                       |
| Malaysian Government Securities     | -                                     | 66,510                                |
| Private and Islamic debt securities | 79,759                                | -                                     |
| <i>Outside Malaysia</i>             |                                       |                                       |
| Private debt securities             | 60,699                                | -                                     |
| <b>At cost</b>                      |                                       |                                       |
| Unquoted:                           |                                       |                                       |
| Shares                              | 1,140                                 | 4,490                                 |
|                                     | 162,636                               | 90,032                                |
| Accumulated impairment losses       | (650)                                 | (4,000)                               |
|                                     | <b>161,986</b>                        | <b>86,032</b>                         |

Included in the securities AFS are:

- (i) quoted shares held under funds under management placed by the Company with a subsidiary, HDBSIM, which is given the discretionary powers within certain guidelines to invest the funds amounting to RM15.2 million as at the balance sheet date (2009: RM13.7 million); and
- (ii) investments in unit trust funds managed by a subsidiary, HDBSIM, at a carrying amount of RM4.6 million as at the balance sheet date (2009: RM4.1 million).



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2010**

**A10 Securities Held-To-Maturity**

|                                     | <b>As at<br/>31-Jan-10<br/>RM'000</b> | <b>As at<br/>31-Jul-09<br/>RM'000</b> |
|-------------------------------------|---------------------------------------|---------------------------------------|
| <b>At amortised cost</b>            |                                       |                                       |
| Unquoted                            |                                       |                                       |
| <i>In Malaysia</i>                  |                                       |                                       |
| Malaysian Government Securities     | 71,068                                | 71,495                                |
| Private and Islamic debt securities | 313,654                               | 333,057                               |
| <i>Outside Malaysia</i>             |                                       |                                       |
| Private debt securities             | 122,777                               | 126,253                               |
|                                     | <b>507,499</b>                        | <b>530,805</b>                        |

The fair value of securities held-for-trading of the Group which were reclassified to held-to-maturity category in the previous financial year amounted to RM505.13 million at an effective interest rate of 6.61% per annum as at 1 August 2008. There is no fair value gain or loss being recognised in the current financial period and previous financial year in respect of the reclassified securities.

The carrying amount and fair value of securities held-for-trading reclassified to held-to-maturity category are as follows:

|                 | <b>As at<br/>31-Jan-10<br/>RM'000</b> | <b>As at<br/>31-Jul-09<br/>RM'000</b> |
|-----------------|---------------------------------------|---------------------------------------|
| Carrying amount | 436,431                               | 459,310                               |
| Fair value      | 457,816                               | 456,690                               |

There is no significant change in the estimated amount of cash flows that the Group expects to recover from the reclassified securities.

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**A11 Loans, Advances and Financing**

|  | <b>As at<br/>31-Jan-10<br/>RM'000</b> | <b>As at<br/>31-Jul-09<br/>RM'000</b> |
|--|---------------------------------------|---------------------------------------|
| <b>(a) By Type</b>                                     |                                       |                                       |
| Term loans   |                                       |                                       |
| - bridging loans                                       | 8,550                                 | 79,688                                |
| - syndicated term loans                                | 132,064                               | 81,357                                |
| - other term loans                                     | 449,126                               | 409,560                               |
| Overdrafts   | 325                                   | -                                     |
| Share margin financing                                 | 123,666                               | 105,193                               |
|  | <u>713,731</u>                        | <u>675,798</u>                        |
| Unearned interest                                      | <u>(185,415)</u>                      | <u>(171,328)</u>                      |
|  | 528,316                               | 504,470                               |
| Allowance for losses on loans, advances and financing: |                                       |                                       |
| - general  | (7,665)                               | (6,914)                               |
| - specific   | <u>(14,697)</u>                       | <u>(8,787)</u>                        |
| Net loans, advances and financing                      | <u><b>505,954</b></u>                 | <u><b>488,769</b></u>                 |
| <b>(b) By Type of Customer</b>                         |                                       |                                       |
| Domestic business enterprises                          |                                       |                                       |
| - others   | 197,204                               | 223,983                               |
| Individuals  | 122,950                               | 90,284                                |
| Other domestic entities                                | 198,901                               | 182,932                               |
| Foreign entities                                       | 9,261                                 | 7,271                                 |
|  | <u><b>528,316</b></u>                 | <u><b>504,470</b></u>                 |
| <b>(c) By Interest Rate Sensitivity</b>                |                                       |                                       |
| Fixed rate   |                                       |                                       |
| - other fixed rate loans/financing                     | 387,702                               | 338,402                               |
| Variable rate  |                                       |                                       |
| - cost-plus  | <u>140,614</u>                        | <u>166,068</u>                        |
|  | <u><b>528,316</b></u>                 | <u><b>504,470</b></u>                 |
| <b>(d) By Purpose</b>                                  |                                       |                                       |
| Purchase of landed properties                          |                                       |                                       |
| - residential  | 610                                   | -                                     |
| - non-residential                                      | -                                     | 36,087                                |
| Construction   | 2,030                                 | -                                     |
| Purchase of securities                                 | 182,141                               | 161,051                               |
| Purchase of transport vehicles                         | 103                                   | -                                     |
| Working capital  | 74,811                                | 68,787                                |
| Personal use   | 218,598                               | 198,471                               |
| Others   | 50,023                                | 40,074                                |
|  | <u><b>528,316</b></u>                 | <u><b>504,470</b></u>                 |

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2010**

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

|   | <b>As at<br/>31-Jan-10<br/>RM'000</b> | <b>As at<br/>31-Jul-09<br/>RM'000</b> |
|---|---------------------------------------|---------------------------------------|
| <b>(e) Non-Performing Loans, Advances and Financing ("NPLs")<br/>by Purpose</b>   |                                       |                                       |
| Purchase of securities  | 884                                   | 1,018                                 |
| Working capital   | 8,550                                 | 8,550                                 |
| Personal use  | 5,379                                 | 3,575                                 |
|   | <u><b>14,813</b></u>                  | <u><b>13,143</b></u>                  |
| <b>(f) Movements in NPLs</b>  |                                       |                                       |
| At beginning of the financial period  | 13,143                                | 13,652                                |
| Classified as non-performing  | 3,766                                 | 13,158                                |
| Reclassified as performing  | (1,748)                               | (223)                                 |
| Amount recovered  | (348)                                 | (13,444)                              |
| At end of the financial period  | <u>14,813</u>                         | <u>13,143</u>                         |
| Less: Specific allowance  | <u>(14,697)</u>                       | <u>(8,787)</u>                        |
| Net NPLs  | <u><b>116</b></u>                     | <u><b>4,356</b></u>                   |
| Net NPLs as a % of gross loans, advances and financing<br>less specific allowance | <u><b>0.0%</b></u>                    | <u><b>0.9%</b></u>                    |
| <b>(g) Movements in Allowance for Losses on Loans, Advances<br/>and Financing</b> |                                       |                                       |
| <u>General Allowance</u>  |                                       |                                       |
| At beginning of the financial period  | 6,914                                 | 7,819                                 |
| Allowance made/(written back)   | 751                                   | (905)                                 |
| At end of the financial period  | <u><b>7,665</b></u>                   | <u><b>6,914</b></u>                   |
| As a % of gross loans, advances and financing<br>less specific allowance          | <u><b>1.5%</b></u>                    | <u><b>1.4%</b></u>                    |
| <u>Specific Allowance</u>   |                                       |                                       |
| At beginning of the financial period  | 8,787                                 | 5,050                                 |
| Allowance made  | 6,429                                 | 7,292                                 |
| Amount written back   | (519)                                 | (3,555)                               |
| At end of the financial period  | <u><b>14,697</b></u>                  | <u><b>8,787</b></u>                   |

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2010**

**A12 Clients' and Brokers' Balances**

|  | <b>As at<br/>31-Jan-10<br/>RM'000</b> | <b>As at<br/>31-Jul-09<br/>RM'000</b> |
|--|---------------------------------------|---------------------------------------|
| Clients' and brokers' balances, net of allowance<br>for bad and doubtful debts     | <u><b>262,600</b></u>                 | <u><b>401,084</b></u>                 |
| <b>Movements in Allowance for Bad and Doubtful Debts<br/>on Clients' Balances:</b> |                                       |                                       |
| <u>General Allowance</u>   |                                       |                                       |
| At beginning of the financial period   | 60                                    | 59                                    |
| Allowance (written back)/made  | <u>(60)</u>                           | <u>1</u>                              |
| At end of the financial period   | <u><b>-</b></u>                       | <u><b>60</b></u>                      |
| <u>Specific Allowance</u>  |                                       |                                       |
| At beginning of the financial period   | 831                                   | 1,212                                 |
| Allowance made   | 103                                   | 366                                   |
| Amount written back  | (154)                                 | (283)                                 |
| Amount written off   | -                                     | (464)                                 |
| At end of the financial period   | <u><b>780</b></u>                     | <u><b>831</b></u>                     |

**A13 Other Assets**

|  | <b>As at<br/>31-Jan-10<br/>RM'000</b> | <b>As at<br/>31-Jul-09<br/>RM'000</b> |
|--|---------------------------------------|---------------------------------------|
| Trade receivables, net of allowance for bad and doubtful<br>debts of RM373,000 (2009: RM362,000) | 7,533                                 | 5,905                                 |
| Interest receivable  | 17,939                                | 15,535                                |
| Statutory deposit  | 150                                   | 150                                   |
| Clearing Guarantee Fund  | 1,940                                 | 1,924                                 |
| Clearing Fund  | 1,000                                 | 1,000                                 |
| Other receivables, deposits and prepayments  | 19,152                                | 15,050                                |
| Other investments  | 2,900                                 | 2,906                                 |
|  | <u><b>50,614</b></u>                  | <u><b>42,470</b></u>                  |

**A14 Deposits from Customers**

|                                    | <b>As at<br/>31-Jan-10<br/>RM'000</b> | <b>As at<br/>31-Jul-09<br/>RM'000</b> |
|------------------------------------|---------------------------------------|---------------------------------------|
| <b>(a) By Type of Deposit</b>      |                                       |                                       |
| Demand deposits                    | 2,086                                 | 11                                    |
| Savings deposits                   | 272                                   | 99                                    |
| Fixed deposits                     | 670,581                               | 503,261                               |
| Negotiable instruments of deposits | 525                                   | 2,000                                 |
|                                    | <u><b>673,464</b></u>                 | <u><b>505,371</b></u>                 |

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2010**

**A14 Deposits from Customers (cont'd)**

|                                 | <b>As at<br/>31-Jan-10<br/>RM'000</b> | <b>As at<br/>31-Jul-09<br/>RM'000</b> |
|---------------------------------|---------------------------------------|---------------------------------------|
| <b>(b) By Type of Customer</b>  |                                       |                                       |
| Government and statutory bodies | 88,000                                | 150,000                               |
| Business enterprises            | 551,623                               | 340,525                               |
| Individuals                     | 30,937                                | 12,309                                |
| Others                          | 2,904                                 | 2,537                                 |
|                                 | <b><u>673,464</u></b>                 | <b><u>505,371</u></b>                 |

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

|                              | <b>As at<br/>31-Jan-10<br/>RM'000</b> | <b>As at<br/>31-Jul-09<br/>RM'000</b> |
|------------------------------|---------------------------------------|---------------------------------------|
| Licensed banks               | 336,138                               | 116,689                               |
| Licensed investment banks    | 90,000                                | 60,000                                |
| Other financial institutions | 1,000,142                             | 624,237                               |
|                              | <b><u>1,426,280</u></b>               | <b><u>800,926</u></b>                 |

**A16 Other Liabilities**

|                             | <b>As at<br/>31-Jan-10<br/>RM'000</b> | <b>As at<br/>31-Jul-09<br/>RM'000</b> |
|-----------------------------|---------------------------------------|---------------------------------------|
| Trade payables              | 18,724                                | 9,277                                 |
| Interest payable            | 10,420                                | 4,131                                 |
| Other payables and accruals | 278,087                               | 328,415                               |
|                             | <b><u>307,231</u></b>                 | <b><u>341,823</u></b>                 |

**A17 Borrowings**

(a) Total borrowings of the Group of RM351.5 million as at 31 January 2010 are unsecured of which RM137 million revolving credit lines are covered by corporate guarantees issued by the Company for a subsidiary.

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

|                              | <b>As at<br/>31-Jan-10<br/>RM'000</b> | <b>As at<br/>31-Jul-09<br/>RM'000</b> |
|------------------------------|---------------------------------------|---------------------------------------|
| <b>Short term borrowings</b> |                                       |                                       |
| Revolving credits            | 351,500                               | 334,500                               |
| <b>Long term borrowings</b>  |                                       |                                       |
|                              | -                                     | -                                     |
| <b>Total borrowings</b>      | <b><u>351,500</u></b>                 | <b><u>334,500</u></b>                 |

(c) All borrowings are denominated in Ringgit Malaysia.

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2010**

**A18 Interest Income**

|   | <u>Individual Quarter</u>                |  | <u>Cumulative Quarter</u>                |  |
|---|--|--|--|--|
|   | 3 months<br>ended<br>31-Jan-10<br>RM'000 | 3 months<br>ended<br>31-Jan-09<br>RM'000 | 6 months<br>ended<br>31-Jan-10<br>RM'000 | 6 months<br>ended<br>31-Jan-09<br>RM'000 |
| Loans, advances and financing                                       |  |  |  |  |
| - Interest income other than recoveries<br>from NPLs                | 15,483                                   | 14,010                                   | 31,201                                   | 28,116                                   |
| - Recoveries from NPLs  | 14                                       | 46                                       | 40                                       | 462                                      |
| Money at call and deposit placements<br>with financial institutions | 5,103                                    | 4,805                                    | 9,513                                    | 12,438                                   |
| Securities:   |  |  |  |  |
| - held-for-trading  | 5,505                                    | 6,875                                    | 10,309                                   | 14,663                                   |
| - AFS   | 1,306                                    | 98                                       | 2,300                                    | 195                                      |
| - held-to-maturity  | 7,594                                    | 8,528                                    | 15,352                                   | 16,857                                   |
| Others  | 4,405                                    | 1,174                                    | 8,698                                    | 1,929                                    |
|   | <u>39,410</u>                            | <u>35,536</u>                            | <u>77,413</u>                            | <u>74,660</u>                            |
| Amortisation of premium less accretion of discount                  | 586                                      | 3,195                                    | 1,090                                    | 3,970                                    |
| Interest suspended  | (141)                                    | (182)                                    | (283)                                    | (259)                                    |
|   | <u><b>39,855</b></u>                     | <u><b>38,549</b></u>                     | <u><b>78,220</b></u>                     | <u><b>78,371</b></u>                     |

**A19 Interest Expense**

|  | <u>Individual Quarter</u>                |  | <u>Cumulative Quarter</u>                |  |
|--|--|--|--|--|
|  | 3 months<br>ended<br>31-Jan-10<br>RM'000 | 3 months<br>ended<br>31-Jan-09<br>RM'000 | 6 months<br>ended<br>31-Jan-10<br>RM'000 | 6 months<br>ended<br>31-Jan-09<br>RM'000 |
| Deposits and placements of banks and other<br>financial institutions | (6,971)                                  | (9,482)                                  | (12,545)                                 | (19,168)                                 |
| Deposits from customers  | (3,403)                                  | (6,150)                                  | (6,581)                                  | (12,356)                                 |
| Borrowings   | (3,124)                                  | (4,175)                                  | (6,159)                                  | (7,882)                                  |
| Others   | (3,515)                                  | (2,679)                                  | (6,979)                                  | (5,599)                                  |
|  | <u><b>(17,013)</b></u>                   | <u><b>(22,486)</b></u>                   | <u><b>(32,264)</b></u>                   | <u><b>(45,005)</b></u>                   |

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2010**

**A20 Other Operating Income**

|   | <u>Individual Quarter</u>                |  | <u>Cumulative Quarter</u>                |  |
|---|--|--|--|--|
|   | 3 months<br>ended<br>31-Jan-10<br>RM'000 | 3 months<br>ended<br>31-Jan-09<br>RM'000 | 6 months<br>ended<br>31-Jan-10<br>RM'000 | 6 months<br>ended<br>31-Jan-09<br>RM'000 |
| Fee and commission income:                      |  |  |  |  |
| Brokerage                                       | 22,782                                   | 12,657                                   | 45,405                                   | 29,947                                   |
| Unit trust management and incentive fees        | 10,953                                   | 7,510                                    | 20,314                                   | 15,340                                   |
| Advisory and arranger fees                      | 1,751                                    | 1,654                                    | 2,472                                    | 3,787                                    |
| Underwriting commission and<br>placement income | 635                                      | -  | 657                                      | 48                                       |
| Service charges and fees                        | 195                                      | 241                                      | 429                                      | 551                                      |
| Other fees and commission                       | 3,557                                    | 3,167                                    | 7,147                                    | 5,479                                    |
|   | <u>39,873</u>                            | <u>25,229</u>                            | <u>76,424</u>                            | <u>55,152</u>                            |
| Net gain/(loss) arising from disposal of:       |  |  |  |  |
| - securities held-for-trading                   | 3,674                                    | 815                                      | 7,464                                    | 2,170                                    |
| - derivatives                                   | (1,093)                                  | (9,655)                                  | (1,953)                                  | (9,922)                                  |
| - securities AFS                                | 707                                      | (1,391)                                  | 2,100                                    | (1,603)                                  |
| - securities held-to-maturity                   | -  | -  | 116                                      | -  |
|   | <u>3,288</u>                             | <u>(10,231)</u>                          | <u>7,727</u>                             | <u>(9,355)</u>                           |
| Net unrealised gain/(loss) on:                  |  |  |  |  |
| - securities held-for-trading                   | (55)                                     | 7,758                                    | 1,127                                    | 8,330                                    |
| - derivatives                                   | (1,019)                                  | (7,488)                                  | (326)                                    | (19,298)                                 |
|   | <u>(1,074)</u>                           | <u>270</u>                               | <u>801</u>                               | <u>(10,968)</u>                          |
| Gross dividends/income distributions from:      |  |  |  |  |
| - securities held-for-trading                   | 518                                      | 70                                       | 1,230                                    | 116                                      |
| - securities AFS                                | 161                                      | 213                                      | 363                                      | 567                                      |
|   | <u>679</u>                               | <u>283</u>                               | <u>1,593</u>                             | <u>683</u>                               |
| Other income:                                   |  |  |  |  |
| Initial service charge                          | 2,488                                    | 1,528                                    | 7,007                                    | 4,912                                    |
| Net foreign exchange gain/(loss):               |  |  |  |  |
| - realised                                      | 105                                      | (720)                                    | 3,788                                    | 3,853                                    |
| - unrealised                                    | 748                                      | (1,881)                                  | (2,018)                                  | (4,366)                                  |
| Rental Income                                   | 143                                      | 142                                      | 285                                      | 285                                      |
| Others  | 808                                      | 483                                      | 1,470                                    | 1,192                                    |
|   | <u>4,292</u>                             | <u>(448)</u>                             | <u>10,532</u>                            | <u>5,876</u>                             |
| <b>Total</b>                                    | <u><b>47,058</b></u>                     | <u><b>15,103</b></u>                     | <u><b>97,077</b></u>                     | <u><b>41,388</b></u>                     |

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2010**

**A21 Other Operating Expenses**

|  | <u>Individual Quarter</u>                |  | <u>Cumulative Quarter</u>                |  |
|--|--|--|--|--|
|  | 3 months<br>ended<br>31-Jan-10<br>RM'000 | 3 months<br>ended<br>31-Jan-09<br>RM'000 | 6 months<br>ended<br>31-Jan-10<br>RM'000 | 6 months<br>ended<br>31-Jan-09<br>RM'000 |
| Personnel costs:                                       |  |  |  |  |
| - Salaries, allowances and bonus                       | (16,855)                                 | (11,354)                                 | (32,805)                                 | (24,378)                                 |
| - Contributions to a defined contribution plan         | (2,210)                                  | (1,745)                                  | (4,314)                                  | (3,711)                                  |
| - Others   | (3,107)                                  | (1,443)                                  | (6,226)                                  | (4,789)                                  |
|  | <u>(22,172)</u>                          | <u>(14,542)</u>                          | <u>(43,345)</u>                          | <u>(32,878)</u>                          |
| Establishment related costs:                           |  |  |  |  |
| - Depreciation   | (2,086)                                  | (2,151)                                  | (4,215)                                  | (4,359)                                  |
| - Rental of premises                                   | (1,041)                                  | (958)                                    | (2,101)                                  | (1,944)                                  |
| - Rental of equipment                                  | (670)                                    | (716)                                    | (1,359)                                  | (1,397)                                  |
| - Repairs and maintenance of premises<br>and equipment | (324)                                    | (272)                                    | (648)                                    | (549)                                    |
| - Information technology expenses                      | (679)                                    | (502)                                    | (1,253)                                  | (1,323)                                  |
| - Others   | (941)                                    | (1,036)                                  | (2,055)                                  | (2,107)                                  |
|  | <u>(5,741)</u>                           | <u>(5,635)</u>                           | <u>(11,631)</u>                          | <u>(11,679)</u>                          |
| Promotion and marketing related expenses:              |  |  |  |  |
| - Promotion and business development                   | (3,795)                                  | (2,099)                                  | (7,413)                                  | (4,669)                                  |
| - Travelling and accommodation                         | (176)                                    | (168)                                    | (306)                                    | (510)                                    |
| - Others   | (1,850)                                  | (1,453)                                  | (2,516)                                  | (2,727)                                  |
|  | <u>(5,821)</u>                           | <u>(3,720)</u>                           | <u>(10,235)</u>                          | <u>(7,906)</u>                           |
| Administrative and general expenses:                   |  |  |  |  |
| - Professional and consultancy fees                    | (839)                                    | (1,015)                                  | (1,670)                                  | (1,512)                                  |
| - Communication expenses                               | (1,261)                                  | (1,326)                                  | (2,588)                                  | (2,495)                                  |
| - Incentives and commission                            | (4,795)                                  | (2,501)                                  | (11,249)                                 | (7,251)                                  |
| - Regulatory charges                                   | (1,577)                                  | (789)                                    | (3,064)                                  | (1,995)                                  |
| - Others   | (2,123)                                  | (2,023)                                  | (4,141)                                  | (4,004)                                  |
|  | <u>(10,595)</u>                          | <u>(7,654)</u>                           | <u>(22,712)</u>                          | <u>(17,257)</u>                          |
| <b>Total</b>   | <u><b>(44,329)</b></u>                   | <u><b>(31,551)</b></u>                   | <u><b>(87,923)</b></u>                   | <u><b>(69,720)</b></u>                   |



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2010**

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

|   | <u>Individual Quarter</u>                |  | <u>Cumulative Quarter</u>                |  |
|---|--|--|--|--|
|   | 3 months<br>ended<br>31-Jan-10<br>RM'000 | 3 months<br>ended<br>31-Jan-09<br>RM'000 | 6 months<br>ended<br>31-Jan-10<br>RM'000 | 6 months<br>ended<br>31-Jan-09<br>RM'000 |
| Allowance for bad and doubtful debts:             |  |  |  |  |
| Specific allowance                                |  |  |  |  |
| - made during the financial period                | (1,134)                                  | (857)                                    | (6,429)                                  | (1,544)                                  |
| - written back during the financial period        | 284                                      | 2,300                                    | 519                                      | 2,125                                    |
|   | <u>(850)</u>                             | <u>1,443</u>                             | <u>(5,910)</u>                           | <u>581</u>                               |
| General allowance                                 |  |  |  |  |
| - (made)/written back during the financial period | (182)                                    | (902)                                    | (751)                                    | 227                                      |
|   | <u>(1,032)</u>                           | <u>541</u>                               | <u>(6,661)</u>                           | <u>808</u>                               |

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

|  | <u>Individual Quarter</u>                |  | <u>Cumulative Quarter</u>                |  |
|--|--|--|--|--|
|  | 3 months<br>ended<br>31-Jan-10<br>RM'000 | 3 months<br>ended<br>31-Jan-09<br>RM'000 | 6 months<br>ended<br>31-Jan-10<br>RM'000 | 6 months<br>ended<br>31-Jan-09<br>RM'000 |
| Allowance for bad and doubtful debts:      |  |  |  |  |
| Specific allowance                         |  |  |  |  |
| - made during the financial period         | (97)                                     | (108)                                    | (114)                                    | (537)                                    |
| - written back during the financial period | 88                                       | 187                                      | 154                                      | 196                                      |
|  | <u>(9)</u>                               | <u>79</u>                                | <u>40</u>                                | <u>(341)</u>                             |
| General allowance                          |  |  |  |  |
| - written back during the financial period | -  | 28                                       | 60                                       | -  |
| Bad debts:                                 |  |  |  |  |
| - recovered                                | 87                                       | 59                                       | 195                                      | 195                                      |
|  | <u>78</u>                                | <u>166</u>                               | <u>295</u>                               | <u>(146)</u>                             |

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2010**

**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<br>31-Jan-10            |   |                                       | As at<br>31-Jul-09            |   |                                       |
|--|-------------------------------|---|---------------------------------------|-------------------------------|---|---------------------------------------|
|  | Principal<br>amount<br>RM'000 | Credit<br>equivalent<br>amount*<br>RM'000 | Risk-<br>weighted<br>Amount<br>RM'000 | Principal<br>amount<br>RM'000 | Credit<br>equivalent<br>amount*<br>RM'000 | Risk-<br>weighted<br>Amount<br>RM'000 |
| Direct credit substitutes  | 27,500                        | 27,500                                    | 5,500                                 | 32,500                        | 32,500                                    | 6,500                                 |
| Obligations under underwriting agreement                           | 2,310                         | 1,155                                     | 1,155                                 | -                             | -   | -                                     |
| Commitments to extend credits with<br>maturity of <sup>(1)</sup> : |                               |   |                                       |                               |   |                                       |
| - less than 1 year   | 348,869                       | 2,160                                     | 432                                   | 372,221                       | 4,104                                     | 2,385                                 |
| - 1 year to less than 5 years                                      | 22,343                        | 11,354                                    | 2,380                                 | 27,392                        | 13,696                                    | 2,739                                 |
| - more than 5 years  | 1,826                         | 1,826                                     | 913                                   | -                             | -   | -                                     |
| Foreign exchange related contracts:                                |                               |   |                                       |                               |   |                                       |
| - less than 1 year   | 295,249                       | 2,198                                     | 531                                   | 89,759                        | 860                                       | 434                                   |
| - 1 year to less than 5 years                                      | 282,291                       | 32,100                                    | 14,330                                | 224,230                       | 22,116                                    | 11,058                                |
| Interest rate related contracts:                                   |                               |   |                                       |                               |   |                                       |
| - less than 1 year   | 1,358,000                     | 1,405                                     | 642                                   | 983,000                       | 1,460                                     | 730                                   |
| - 1 year to less than 5 years                                      | 5,458,000                     | 51,320                                    | 17,844                                | 6,263,000                     | 61,884                                    | 21,856                                |
|  | <b>7,796,388</b>              | <b>131,018</b>                            | <b>43,727</b>                         | <b>7,992,102</b>              | <b>136,620</b>                            | <b>45,702</b>                         |

\* The credit equivalent amount of the commitments and contingencies of the investment banking subsidiary is arrived at using the credit conversion factors as specified by Bank Negara Malaysia.

<sup>(1)</sup> Included in the commitments to extend credits as at 31 January 2010 are loan commitments of the commercial banking subsidiary, of which the credit equivalent amount and risk-weighted amount are computed in accordance with the relevant guidelines issued by the National Bank of Cambodia.

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**A25 Other Commitments**

|   | As at<br>31-Jan-10<br>RM'000 | As at<br>31-Jul-09<br>RM'000 |
|---|------------------------------|------------------------------|
| Capital expenditure commitments             | 53,861                       | 9,584                        |
| Non-cancellable operating lease commitments | 9,110                        | 4,951                        |
|   | <b>62,971</b>                | <b>14,535</b>                |

**A26 Capital Adequacy**

- (a) The capital adequacy ratios of the investment banking subsidiary, HDBSIB which are computed in accordance with the Risk Weighted Capital Adequacy Framework (Basel II - Risk Weighted Assets Computation) issued by Bank Negara Malaysia on 28 January 2008 are as follows:

|   | As at<br>31-Jan-10<br>RM'000 | As at<br>31-Jul-09<br>RM'000 |
|---|------------------------------|------------------------------|
| <b><u>Tier I capital</u></b>                                      |                              |                              |
| Issued and fully paid share capital                               | 500,000                      | 500,000                      |
| Retained profits  | 191,077                      | 198,577                      |
| Statutory reserve   | 61,321                       | 61,321                       |
|   | <u>752,398</u>               | <u>759,898</u>               |
| Less: Goodwill  | (110,002)                    | (110,002)                    |
| Total Tier I capital  | <u>642,396</u>               | <u>649,896</u>               |
| <b><u>Tier II capital</u></b>                                     |                              |                              |
| General allowance for losses on loans, advances and financing     | 4,454                        | 4,137                        |
| Total Tier II capital   | <u>4,454</u>                 | <u>4,137</u>                 |
| Total capital   | 646,850                      | 654,033                      |
| Less: Investment in subsidiaries                                  | (3,081)                      | (3,081)                      |
| Other deductions  | (534)                        | (540)                        |
| <b>Capital base</b>   | <b><u>643,235</u></b>        | <b><u>650,412</u></b>        |
| <b>Eligible capital</b>   | <b><u>643,235</u></b>        | <b><u>650,412</u></b>        |
| Tier I capital ratio ( <i>before payment of dividend</i> )        | 30.6%                        | 33.8%                        |
| Risk-weighted capital ratio ( <i>before payment of dividend</i> ) | 30.7%                        | 33.9%                        |
| Tier I capital ratio ( <i>after payment of dividend</i> )         | 30.6%                        | 33.4%                        |
| Risk-weighted capital ratio ( <i>after payment of dividend</i> )  | <u>30.7%</u>                 | <u>33.5%</u>                 |

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**A26 Capital Adequacy (cont'd)**

(b) The risk-weighted assets and capital requirements of HDBSIB by class of exposure are as follows:

|  | Gross<br>exposures<br>RM'000 | Net<br>exposures<br>RM'000  | Risk-weighted<br>assets<br>RM'000 | Capital<br>requirements<br>RM'000 |
|--|------------------------------|-----------------------------|-----------------------------------|-----------------------------------|
| <b>At 31 January 2010</b>  |                              |                             |                                   |                                   |
| <b>(i) Credit Risk</b>   |                              |                             |                                   |                                   |
| <i>On-balance sheet exposures</i>  |                              |                             |                                   |                                   |
| Sovereigns/Central Banks   | 703,705                      | 703,705                     | -                                 | -                                 |
| Banks, Development Financial Institutions<br>("DFIs") & Multilateral Development<br>Banks ("MDBs") | 657,338                      | 657,338                     | 315,073                           | 25,206                            |
| Insurance companies, securities firms<br>& fund managers   | 22,346                       | 22,346                      | 21,538                            | 1,723                             |
| Corporates   | 745,743                      | 745,743                     | 509,114                           | 40,729                            |
| Other assets   | 444,807                      | 444,807                     | 346,765                           | 27,741                            |
| Defaulted exposures  | 461                          | 461                         | 92                                | 7                                 |
| <b>Sub-total</b>   | <b>2,574,400</b>             | <b>2,574,400</b>            | <b>1,192,582</b>                  | <b>95,406</b>                     |
| <i>Off-balance sheet exposures</i>   |                              |                             |                                   |                                   |
| Over-the-counter ("OTC") derivatives   | 82,972                       | 82,972                      | 31,322                            | 2,506                             |
| Off-balance sheet exposures other than<br>OTC or credit derivatives                                | 45,855                       | 45,855                      | 11,310                            | 905                               |
| <b>Sub-total</b>   | <b>128,827</b>               | <b>128,827</b>              | <b>42,632</b>                     | <b>3,411</b>                      |
| <b>Total credit risk exposures</b>   | <b>2,703,227</b>             | <b>2,703,227</b>            | <b>1,235,214</b>                  | <b>98,817</b>                     |
| <b>(ii) Large exposures<br/>risk requirements</b>  |                              |                             |                                   |                                   |
|  | -                            | -                           | -                                 | -                                 |
| <b>(iii) Market risk</b>   |                              |                             |                                   |                                   |
|  | Long<br>position<br>RM'000   | Short<br>position<br>RM'000 |                                   |                                   |
| Interest rate risk   | 7,477,550                    | 6,939,154                   | 538,396                           | 324,854                           |
| Foreign currency risk  | 603,679                      | 551,574                     | 52,105                            | 52,105                            |
| Equity risk  | 81,601                       | -                           | 81,601                            | 179,384                           |
| Options  | 2,310                        | -                           | 2,310                             | 3,176                             |
|  | <b>8,165,140</b>             | <b>7,490,728</b>            | <b>674,412</b>                    | <b>559,519</b>                    |
| <b>(iv) Operational risk</b>   |                              |                             | <b>303,289</b>                    | <b>24,263</b>                     |
| <b>(v) Total risk-weighted assets and<br/>capital requirements</b>                                 |                              |                             | <b>2,098,022</b>                  | <b>167,842</b>                    |

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2010**

**A26 Capital Adequacy (cont'd)**

(b) The risk-weighted assets and capital requirements of HDBSIB by class of exposure are as follows (cont'd):

|  | Gross<br>exposures<br>RM'000 | Net<br>exposures<br>RM'000  | Risk-weighted<br>assets<br>RM'000 | Capital<br>requirements<br>RM'000 |
|--|------------------------------|-----------------------------|-----------------------------------|-----------------------------------|
| <b>At 31 July 2009</b>   |                              |                             |                                   |                                   |
| <b>(i) Credit Risk</b>   |                              |                             |                                   |                                   |
| <i>On-balance sheet exposures</i>  |                              |                             |                                   |                                   |
| Sovereigns/Central Banks   | 263,902                      | 263,902                     | -                                 | -                                 |
| Banks, Development Financial Institutions<br>("DFIs") & Multilateral Development<br>Banks ("MDBs") | 639,838                      | 639,838                     | 315,121                           | 25,210                            |
| Insurance companies, securities firms<br>& fund managers   | 50,629                       | 50,629                      | 30,651                            | 2,452                             |
| Corporates   | 633,860                      | 633,860                     | 440,329                           | 35,226                            |
| Other assets   | 571,971                      | 571,971                     | 381,400                           | 30,512                            |
| Defaulted exposures  | 5,059                        | 5,059                       | 4,468                             | 357                               |
| <b>Sub-total</b>   | <b>2,165,259</b>             | <b>2,165,259</b>            | <b>1,171,969</b>                  | <b>93,757</b>                     |
| <i>Off-balance sheet exposures</i>   |                              |                             |                                   |                                   |
| Over-the-counter ("OTC") derivatives   | 81,997                       | 81,997                      | 31,916                            | 2,553                             |
| Off-balance sheet exposures other than<br>OTC or credit derivatives                                | 54,623                       | 54,623                      | 13,786                            | 1,103                             |
| <b>Sub-total</b>   | <b>136,620</b>               | <b>136,620</b>              | <b>45,702</b>                     | <b>3,656</b>                      |
| <b>Total credit risk exposures</b>   | <b>2,301,879</b>             | <b>2,301,879</b>            | <b>1,217,671</b>                  | <b>97,413</b>                     |
| <b>(ii) Large exposures<br/>risk requirements</b>  |                              |                             |                                   |                                   |
|  | -                            | -                           | -                                 | -                                 |
| <b>(iii) Market risk</b>   |                              |                             |                                   |                                   |
|  | Long<br>position<br>RM'000   | Short<br>position<br>RM'000 |                                   |                                   |
| Interest rate risk   | 7,478,830                    | 7,112,034                   | 366,796                           | 304,874                           |
| Foreign currency risk  | 358,364                      | 335,948                     | 22,416                            | 22,415                            |
| Equity risk  | 20,852                       | -                           | 20,852                            | 57,255                            |
|  | <b>7,858,046</b>             | <b>7,447,982</b>            | <b>410,064</b>                    | <b>384,544</b>                    |
| <b>(iv) Operational risk</b>   |                              |                             | <b>319,227</b>                    | <b>25,538</b>                     |
| <b>(v) Total risk-weighted assets and<br/>capital requirements</b>                                 |                              |                             | <b>1,921,442</b>                  | <b>153,714</b>                    |

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**A26 Capital Adequacy (cont'd)**

(c) The credit risk exposures of HDBSIB by risk weight are as follows:

| Risk weights                       | <b>Exposures after netting and credit risk mitigation</b> |                                      |  |                      |                           |                  | Total risk-weighted assets<br>RM'000 |
|------------------------------------|---|--------------------------------------|--|----------------------|---------------------------|------------------|--------------------------------------|
|                                    | Sovereigns<br>/Central<br>Banks<br>RM'000                 | Banks,<br>DFIs and<br>MDBs<br>RM'000 | Insurance<br>companies,<br>securities<br>firms &<br>fund<br>managers<br>RM'000 | Corporates<br>RM'000 | Other<br>assets<br>RM'000 | Total<br>RM'000  |                                      |
| <b>At 31 January 2010</b>          |   |                                      |  |                      |                           |                  |                                      |
| 0%                                 | 703,705   | -                                    | -  | -                    | 43,818                    | 747,523          | -                                    |
| 20%                                | -   | 100,325                              | -  | 227,446              | 68,085                    | 395,856          | 79,171                               |
| 50%                                | -   | 652,158                              | 1,616  | 153,586              | 250                       | 807,610          | 403,805                              |
| 100%                               | -   | -                                    | 20,730   | 393,627              | 337,881                   | 752,238          | 752,238                              |
| <b>Total</b>                       | <b>703,705</b>  | <b>752,483</b>                       | <b>22,346</b>  | <b>774,659</b>       | <b>450,034</b>            | <b>2,703,227</b> | <b>1,235,214</b>                     |
| <b>Deduction from capital base</b> | -   | -                                    | -  | -                    | 3,081                     | 3,081            | -                                    |
| <b>Average risk weight</b>         |   |                                      |  |                      |                           |                  | <b>45.7%</b>                         |
| <b>At 31 July 2009</b>             |   |                                      |  |                      |                           |                  |                                      |
| 0%                                 | 263,902   | -                                    | -  | -                    | 45,108                    | 309,010          | -                                    |
| 20%                                | -   | 72,760                               | -  | 167,634              | 182,562                   | 422,956          | 84,591                               |
| 50%                                | -   | 662,736                              | 39,957   | 170,966              | 8                         | 873,667          | 436,834                              |
| 100%                               | -   | -                                    | 10,672   | 334,116              | 351,458                   | 696,246          | 696,246                              |
| <b>Total</b>                       | <b>263,902</b>  | <b>735,496</b>                       | <b>50,629</b>  | <b>672,716</b>       | <b>579,136</b>            | <b>2,301,879</b> | <b>1,217,671</b>                     |
| <b>Deduction from capital base</b> | -   | -                                    | -  | -                    | 3,081                     | 3,081            | -                                    |
| <b>Average risk weight</b>         |   |                                      |  |                      |                           |                  | <b>52.9%</b>                         |

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**A26 Capital Adequacy (cont'd)**

(d) Disclosure of off-balance sheet and counterparty credit risk in respect of HDBSIB are as follows:

|   | Principal<br>amount<br>RM'000 | Positive fair<br>value of<br>derivative<br>contracts<br>RM'000 | Credit<br>equivalent<br>amount*<br>RM'000 | Risk-<br>weighted<br>amount<br>RM'000 |
|---|-------------------------------|--|---|---------------------------------------|
| <b>At 31 January 2010</b>                       |                               |  |   |                                       |
| Direct credit substitutes                       | 27,500                        | -  | 27,500                                    | 5,500                                 |
| Obligations under underwriting agreement        | 2,310                         | -  | 1,155                                     | 1,155                                 |
| Commitments to extend credits with maturity of: |                               |  |   |                                       |
| - less than 1 year                              | 347,803                       | -  | 2,160                                     | 432                                   |
| - 1 year to less than 5 years                   | 21,978                        | -  | 10,989                                    | 2,198                                 |
| Foreign exchange related contracts:             |                               |  |   |                                       |
| - less than 1 year                              | 295,249                       | 276  | 2,198                                     | 531                                   |
| - 1 year to less than 5 years                   | 282,291                       | 4,758  | 32,100                                    | 14,330                                |
| Interest rate related contracts:                |                               |  |   |                                       |
| - less than 1 year                              | 1,358,000                     | 283  | 1,405                                     | 642                                   |
| - 1 year to less than 5 years                   | 5,458,000                     | 16,300   | 51,320                                    | 17,844                                |
|   | <b>7,793,131</b>              | <b>21,617</b>  | <b>128,827</b>                            | <b>42,632</b>                         |
| <b>At 31 July 2009</b>                          |                               |  |   |                                       |
| Direct credit substitutes                       | 32,500                        | -  | 32,500                                    | 6,500                                 |
| Commitments to extend credits with maturity of: |                               |  |   |                                       |
| - less than 1 year                              | 372,221                       | -  | 4,104                                     | 2,385                                 |
| - 1 year to less than 5 years                   | 27,392                        | -  | 13,696                                    | 2,739                                 |
| Foreign exchange related contracts:             |                               |  |   |                                       |
| - less than 1 year                              | 89,759                        | 333  | 860                                       | 434                                   |
| - 1 year to less than 5 years                   | 224,230                       | -  | 22,116                                    | 11,058                                |
| Interest rate related contracts:                |                               |  |   |                                       |
| - less than 1 year                              | 983,000                       | 896  | 1,460                                     | 730                                   |
| - 1 year to less than 5 years                   | 6,263,000                     | 21,710   | 61,884                                    | 21,856                                |
|   | <b>7,992,102</b>              | <b>22,939</b>  | <b>136,620</b>                            | <b>45,702</b>                         |

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

(e) The solvency ratio of the commercial banking subsidiary, HwangDBS Commercial Bank Plc ("HDCB"), which is the regulatory capital adequacy ratio as prescribed by the National Bank of Cambodia, is computed based on the net worth of HDCB divided by its risk-weighted assets and off balance sheet items.

|  | As at<br>31-Jan-10<br>RM'000 | As at<br>31-Jul-09<br>RM'000 |
|--|------------------------------|------------------------------|
| Solvency ratio ( <i>before payment of dividend</i> ) | 78.4%                        | -                            |
| Solvency ratio ( <i>after payment of dividend</i> )  | 78.4%                        | -                            |

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**A27 Interest Rate Risk**

|   | Non-trading book           |                             |                              |                            |                           |                                     | Sub-total<br>RM'000 | Trading<br>book<br>RM'000 | Total<br>RM'000    | Effective<br>interest<br>rate<br>% |
|---|----------------------------|-----------------------------|------------------------------|----------------------------|---------------------------|-------------------------------------|---------------------|---------------------------|--------------------|------------------------------------|
|   | Up to<br>1 month<br>RM'000 | > 1 - 3<br>months<br>RM'000 | > 3 - 12<br>months<br>RM'000 | > 1 - 5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 | Non-interest<br>sensitive<br>RM'000 |                     |                           |                    |                                    |
| <b>At 31 January 2010</b>   |                            |                             |                              |                            |                           |                                     |                     |                           |                    |                                    |
| <b>Assets</b>   |                            |                             |                              |                            |                           |                                     |                     |                           |                    |                                    |
| Cash and short term funds   | 1,018,565                  | -                           | -                            | -                          | -                         | 96,912                              | 1,115,477           | -                         | 1,115,477          | 2.20                               |
| Deposit and placements with banks<br>and other financial institutions | -                          | 322,171                     | -                            | 15,988                     | -                         | -                                   | 338,159             | -                         | 338,159            | 2.37                               |
| Securities held-for-trading   | -                          | -                           | -                            | -                          | -                         | -                                   | -                   | 656,848                   | 656,848            | 3.70                               |
| Securities AFS  | 24,956                     | -                           | 4,877                        | 100,753                    | 9,872                     | 21,528                              | 161,986             | -                         | 161,986            | 4.64                               |
| Securities held-to-maturity   | -                          | -                           | -                            | 230,523                    | 276,976                   | -                                   | 507,499             | -                         | 507,499            | 6.13                               |
| Loans, advances and financing:  |                            |                             |                              |                            |                           |                                     |                     |                           |                    |                                    |
| - performing  | 309,704                    | 8                           | 487                          | 18,276                     | 185,028                   | (7,665) *                           | 505,838             | -                         | 505,838            | 9.83                               |
| - non-performing  | -                          | -                           | -                            | -                          | -                         | 116                                 | 116                 | -                         | 116                | -                                  |
| Clients' and brokers' balances  | 5,204                      | -                           | -                            | -                          | -                         | 257,396                             | 262,600             | -                         | 262,600            | 8.00                               |
| Derivative assets   | -                          | -                           | -                            | -                          | -                         | -                                   | -                   | 16,957                    | 16,957             | -                                  |
| Other assets <sup>(1)</sup>   | 15,978                     | 1,940                       | -                            | -                          | -                         | 289,690                             | 307,608             | -                         | 307,608            | 0.46                               |
| <b>Total assets</b>   | <b>1,374,407</b>           | <b>324,119</b>              | <b>5,364</b>                 | <b>365,540</b>             | <b>471,876</b>            | <b>657,977</b>                      | <b>3,199,283</b>    | <b>673,805</b>            | <b>3,873,088</b>   |                                    |
| <b>Liabilities</b>  |                            |                             |                              |                            |                           |                                     |                     |                           |                    |                                    |
| Deposits from customers   | 548,392                    | 118,527                     | 4,458                        | -                          | -                         | 2,087                               | 673,464             | -                         | 673,464            | 2.21                               |
| Deposits and placements of banks and<br>other financial institutions  | 887,846                    | 358,041                     | 171,849                      | 7,536                      | -                         | 1,008                               | 1,426,280           | -                         | 1,426,280          | 2.20                               |
| Clients' and brokers' balances  | 61,318                     | -                           | -                            | -                          | -                         | 195,035                             | 256,353             | -                         | 256,353            | 1.99                               |
| Derivative liabilities  | -                          | -                           | -                            | -                          | -                         | -                                   | -                   | 39,298                    | 39,298             | -                                  |
| Other liabilities <sup>(2)</sup>                                      | 210,983                    | 2,171                       | -                            | -                          | -                         | 106,604                             | 319,758             | -                         | 319,758            | 1.97                               |
| Borrowings  | 71,500                     | 80,000                      | 200,000                      | -                          | -                         | -                                   | 351,500             | -                         | 351,500            | 3.54                               |
| <b>Total liabilities</b>  | <b>1,780,039</b>           | <b>558,739</b>              | <b>376,307</b>               | <b>7,536</b>               | <b>-</b>                  | <b>304,734</b>                      | <b>3,027,355</b>    | <b>39,298</b>             | <b>3,066,653</b>   |                                    |
| Total equity  | -                          | -                           | -                            | -                          | -                         | 806,435                             | 806,435             | -                         | 806,435            | -                                  |
| <b>Total liabilities and equity</b>                                   | <b>1,780,039</b>           | <b>558,739</b>              | <b>376,307</b>               | <b>7,536</b>               | <b>-</b>                  | <b>1,111,169</b>                    | <b>3,833,790</b>    | <b>39,298</b>             | <b>3,873,088</b>   |                                    |
| On-balance sheet interest<br>sensitivity gap                          | (405,632)                  | (234,620)                   | (370,943)                    | 358,004                    | 471,876                   | (453,192)                           | (634,507)           | 634,507                   | -                  |                                    |
| Off-balance sheet interest<br>sensitivity gap                         | (255,000)                  | (226,000)                   | (1,027,000)                  | (3,510,000)                | -                         | -                                   | (5,018,000)         | -                         | (5,018,000)        |                                    |
| <b>Total interest sensitivity gap</b>                                 | <b>(660,632)</b>           | <b>(460,620)</b>            | <b>(1,397,943)</b>           | <b>(3,151,996)</b>         | <b>471,876</b>            | <b>(453,192)</b>                    | <b>(5,652,507)</b>  | <b>634,507</b>            | <b>(5,018,000)</b> |                                    |

<sup>(1)</sup> Other assets include Other assets, Statutory deposits with Central Banks, Tax recoverable, Deferred tax assets, Investment in an associate, Property, plant and equipment, Investment properties and Intangible assets as disclosed in the consolidated balance sheet.

Loans, advances and financing are stated net of specific and general allowances and interest-in-suspense. Clients' and brokers' balances and Other assets are stated net of specific allowance and interest-in-suspense.

\* The negative balance represents general allowance for losses on loans, advances and financing.

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



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**A27 Interest Rate Risk (cont'd)**

|   | Non-trading book           |                             |                              |                            |                           |                                     | Sub-total<br>RM'000 | Trading<br>book<br>RM'000 | Total<br>RM'000    | Effective<br>interest<br>rate<br>% |
|---|----------------------------|-----------------------------|------------------------------|----------------------------|---------------------------|-------------------------------------|---------------------|---------------------------|--------------------|------------------------------------|
|   | Up to<br>1 month<br>RM'000 | > 1 - 3<br>months<br>RM'000 | > 3 - 12<br>months<br>RM'000 | > 1 - 5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 | Non-interest<br>sensitive<br>RM'000 |                     |                           |                    |                                    |
| <b>At 31 July 2009</b>  |                            |                             |                              |                            |                           |                                     |                     |                           |                    |                                    |
| <b>Assets</b>   |                            |                             |                              |                            |                           |                                     |                     |                           |                    |                                    |
| Cash and short term funds   | 702,395                    | -                           | -                            | -                          | -                         | 144,820                             | 847,215             | -                         | 847,215            | 1.90                               |
| Deposit and placements with banks<br>and other financial institutions | -                          | 77,150                      | -                            | 10,631                     | -                         | -                                   | 87,781              | -                         | 87,781             | 2.72                               |
| Securities held-for-trading   | -                          | -                           | -                            | -                          | -                         | -                                   | -                   | 425,408                   | 425,408            | 4.18                               |
| Securities AFS  | -                          | -                           | 10,135                       | 56,375                     | -                         | 19,522                              | 86,032              | -                         | 86,032             | 2.88                               |
| Securities held-to-maturity   | -                          | -                           | -                            | 119,937                    | 410,868                   | -                                   | 530,805             | -                         | 530,805            | 6.15                               |
| Loans, advances and financing:  |                            |                             |                              |                            |                           |                                     |                     |                           |                    |                                    |
| - performing  | 306,049                    | 5,043                       | 355                          | 15,006                     | 164,874                   | (6,914) *                           | 484,413             | -                         | 484,413            | 9.83                               |
| - non-performing  | -                          | -                           | -                            | -                          | -                         | 4,356                               | 4,356               | -                         | 4,356              | -                                  |
| Clients' and brokers' balances  | 1,317                      | -                           | -                            | -                          | -                         | 399,767                             | 401,084             | -                         | 401,084            | 8.00                               |
| Derivative assets   | -                          | -                           | -                            | -                          | -                         | -                                   | -                   | 22,759                    | 22,759             | -                                  |
| Other assets <sup>(1)</sup>   | 6,508                      | 1,924                       | -                            | -                          | -                         | 290,229                             | 298,661             | -                         | 298,661            | 0.93                               |
| <b>Total assets</b>   | <b>1,016,269</b>           | <b>84,117</b>               | <b>10,490</b>                | <b>201,949</b>             | <b>575,742</b>            | <b>851,780</b>                      | <b>2,740,347</b>    | <b>448,167</b>            | <b>3,188,514</b>   |                                    |
| <b>Liabilities</b>  |                            |                             |                              |                            |                           |                                     |                     |                           |                    |                                    |
| Deposits from customers   | 481,702                    | 22,255                      | 1,403                        | -                          | -                         | 11                                  | 505,371             | -                         | 505,371            | 2.16                               |
| Deposits and placements of banks and<br>other financial institutions  | 661,800                    | 64,613                      | 59,861                       | 14,370                     | -                         | 282                                 | 800,926             | -                         | 800,926            | 2.08                               |
| Clients' and brokers' balances  | 58,536                     | -                           | -                            | -                          | -                         | 308,094                             | 366,630             | -                         | 366,630            | 1.87                               |
| Derivative liabilities  | -                          | -                           | -                            | -                          | -                         | -                                   | -                   | 49,284                    | 49,284             | -                                  |
| Other liabilities <sup>(2)</sup>                                      | 252,289                    | 2,150                       | -                            | -                          | -                         | 92,681                              | 347,120             | -                         | 347,120            | 1.88                               |
| Borrowings  | 33,000                     | 114,500                     | 187,000                      | -                          | -                         | -                                   | 334,500             | -                         | 334,500            | 3.58                               |
| <b>Total liabilities</b>  | <b>1,487,327</b>           | <b>203,518</b>              | <b>248,264</b>               | <b>14,370</b>              | <b>-</b>                  | <b>401,068</b>                      | <b>2,354,547</b>    | <b>49,284</b>             | <b>2,403,831</b>   |                                    |
| Total equity  | -                          | -                           | -                            | -                          | -                         | 784,683                             | 784,683             | -                         | 784,683            | -                                  |
| <b>Total liabilities and equity</b>                                   | <b>1,487,327</b>           | <b>203,518</b>              | <b>248,264</b>               | <b>14,370</b>              | <b>-</b>                  | <b>1,185,751</b>                    | <b>3,139,230</b>    | <b>49,284</b>             | <b>3,188,514</b>   |                                    |
| On-balance sheet interest<br>sensitivity gap                          | (471,058)                  | (119,401)                   | (237,774)                    | 187,579                    | 575,742                   | (333,971)                           | (398,883)           | 398,883                   | -                  |                                    |
| Off-balance sheet interest<br>sensitivity gap                         | (255,000)                  | (125,000)                   | (613,000)                    | (4,315,000)                | -                         | -                                   | (5,308,000)         | -                         | (5,308,000)        |                                    |
| <b>Total interest sensitivity gap</b>                                 | <b>(726,058)</b>           | <b>(244,401)</b>            | <b>(850,774)</b>             | <b>(4,127,421)</b>         | <b>575,742</b>            | <b>(333,971)</b>                    | <b>(5,706,883)</b>  | <b>398,883</b>            | <b>(5,308,000)</b> |                                    |

<sup>(1)</sup> Other assets include Other assets, Statutory deposits with Central Banks, Tax recoverable, Deferred tax assets, Investment in an associate, 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 losses on loans, advances and financing.

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

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**A28 Segmental Information**

The Group is organised into the following operating segments:

- (i) Stockbroking - stockbroking, share margin financing and dealing in securities
- (ii) Investment banking - debt capital markets, corporate banking, corporate finance advisory, equity capital markets services and treasury and market activities
- (iii) Commercial banking - commercial banking activities
- (iv) Investment management - management of unit trust and corporate funds
- (v) Moneylending - moneylending activities
- (vi) Others - include investment holding and other non-core operations of the Group

With effect from 1 August 2009, the Group determines reportable segments and presents measure of segmental profit or loss based on the information that are internally provided to the board of directors of the Company, which is the Group's chief operating decision maker. The Group's reportable operating segments are identified based on business units which are engaged in providing different services. These changes in accounting policies are due to the adoption of FRS 8, Operating Segments. Previously, reportable segments were determined and segmental profit or loss are presented in accordance with FRS 14<sub>2004</sub>, Segment Reporting.

Comparative segmental information has been restated in conformity with the transitional provisions of FRS 8 and to conform with the current financial period's presentation.

The segmental information are as follows:

|   | Stock-<br>broking<br>RM'000 | Investment<br>banking<br>RM'000 | Commercial<br>banking<br>RM'000 | Investment<br>manage-<br>ment<br>RM'000 | Money-<br>lending<br>RM'000 | Others<br>RM'000 | Inter-<br>segment<br>elimination<br>RM'000 | Group<br>RM'000  |
|---|-----------------------------|---------------------------------|---------------------------------|---|-----------------------------|------------------|--|------------------|
| <b>6 months ended 31 January 2010</b>   |                             |                                 |                                 |   |                             |                  |  |                  |
| <b>Revenue</b>  |                             |                                 |                                 |   |                             |                  |  |                  |
| External revenue *  | 57,516                      | 54,929                          | 1,841                           | 28,129                                  | 26,582                      | 4,369            | -  | 173,366          |
| Inter-segment revenue   | -                           | 866                             | -                               | 20                                      | -                           | 16,750           | (17,636)                                   | -                |
| <b>Total revenue</b>  | <b>57,516</b>               | <b>55,795</b>                   | <b>1,841</b>                    | <b>28,149</b>                           | <b>26,582</b>               | <b>21,119</b>    | <b>(17,636)</b>                            | <b>173,366</b>   |
| Net interest income/(expense)   | 8,252                       | 19,192                          | 719                             | 188                                     | 20,926                      | (3,321)          | -  | 45,956           |
| Other operating income  | 51,372                      | 8,383                           | 129                             | 28,571                                  | 3,500                       | 21,547           | (16,425)                                   | 97,077           |
|   | 59,624                      | 27,575                          | 848                             | 28,759                                  | 24,426                      | 18,226           | (16,425)                                   | 143,033          |
| Other operating expense   | (44,678)                    | (8,018)                         | (2,224)                         | (23,388)                                | (4,052)                     | (9,293)          | 3,730                                      | (87,923)         |
|   | 14,946                      | 19,557                          | (1,376)                         | 5,371                                   | 20,374                      | 8,933            | (12,695)                                   | 55,110           |
| Allowance for losses on loans, advances and financing   | (666)                       | (3,792)                         | (84)                            | -                                       | (2,082)                     | -                | (37)                                       | (6,661)          |
| Write back of allowance/(allowance) for bad and doubtful debts on clients' balances and trade receivables | 306                         | (11)                            | -                               | -                                       | -                           | (5)              | 5  | 295              |
| Impairment loss on securities AFS   | -                           | -                               | -                               | -                                       | (650)                       | -                | -  | (650)            |
| <b>Segment profit/(loss)</b>  | <b>14,586</b>               | <b>15,754</b>                   | <b>(1,460)</b>                  | <b>5,371</b>                            | <b>17,642</b>               | <b>8,928</b>     | <b>(12,727)</b>                            | <b>48,094</b>    |
| Share of results of an associate, net of tax  |                             |                                 |                                 |   |                             |                  |  | (469)            |
| <b>Profit before taxation</b>   |                             |                                 |                                 |   |                             |                  |  | <b>47,625</b>    |
| <b>Segment assets</b>   | <b>844,614</b>              | <b>2,500,893</b>                | <b>112,380</b>                  | <b>54,670</b>                           | <b>250,456</b>              | <b>819,270</b>   | <b>(712,787)</b>                           | <b>3,869,496</b> |
| Investment in an associate  |                             |                                 |                                 |   |                             |                  |  | 3,592            |
|   |                             |                                 |                                 |   |                             |                  |  | <b>3,873,088</b> |

\* External revenue of the Group comprises all types of revenue derived from stockbroking, investment banking, commercial banking, investment management and moneylending activities, rental income from property investment and reimbursement of research expenses.

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**A28 Segmental Information (cont'd)**

|  | Stock-<br>broking<br>RM'000 | Investment<br>banking<br>RM'000 | Commercial<br>banking<br>RM'000 | Investment<br>manage-<br>ment<br>RM'000 | Money-<br>lending<br>RM'000 | Others<br>RM'000 | Inter-<br>segment<br>elimination<br>RM'000 | Group<br>RM'000  |
|--|-----------------------------|---------------------------------|---------------------------------|---|-----------------------------|------------------|--|------------------|
| <b>6 months ended 31 January 2009</b>  |                             |                                 |                                 |   |                             |                  |  |                  |
| <b>Revenue</b>   |                             |                                 |                                 |   |                             |                  |  |                  |
| External revenue *   | 37,058                      | 55,594                          | -                               | 20,252                                  | 21,686                      | 5,695            | -  | 140,285          |
| Inter-segment revenue  | -                           | 1,077                           | -                               | 26                                      | -                           | 54,562           | (55,665)                                   | -                |
| <b>Total revenue</b>   | <b>37,058</b>               | <b>56,671</b>                   | <b>-</b>                        | <b>20,278</b>                           | <b>21,686</b>               | <b>60,257</b>    | <b>(55,665)</b>                            | <b>140,285</b>   |
| Net interest income/(expense)  | 12,165                      | 9,406                           | -                               | 462                                     | 13,472                      | (2,139)          | -  | 33,366           |
| Other operating income   | 30,074                      | (16,285)                        | -                               | 20,658                                  | 3,313                       | 56,900           | (53,272)                                   | 41,388           |
|  | 42,239                      | (6,879)                         | -                               | 21,120                                  | 16,785                      | 54,761           | (53,272)                                   | 74,754           |
| Other operating expense  | (38,291)                    | (7,318)                         | -                               | (16,724)                                | (2,458)                     | (8,014)          | 3,085                                      | (69,720)         |
|  | 3,948                       | (14,197)                        | -                               | 4,396                                   | 14,327                      | 46,747           | (50,187)                                   | 5,034            |
| Write back of allowance/<br>(allowance) for losses on<br>loans, advances and financing | 525                         | 483                             | -                               | -                                       | (200)                       | -                | -  | 808              |
| Allowance for bad and doubtful<br>debts on clients' balances<br>and trade receivables  | (74)                        | (72)                            | -                               | -                                       | -                           | -                | -  | (146)            |
| <b>Segment profit/(loss)</b>   | <b>4,399</b>                | <b>(13,786)</b>                 | <b>-</b>                        | <b>4,396</b>                            | <b>14,127</b>               | <b>46,747</b>    | <b>(50,187)</b>                            | <b>5,696</b>     |
| Share of results of an associate,<br>net of tax  |                             |                                 |                                 |   |                             |                  |  | (269)            |
| Share of results of jointly controlled<br>entities, net of tax                         |                             |                                 |                                 |   |                             |                  |  | (2)              |
| <b>Profit before taxation</b>  |                             |                                 |                                 |   |                             |                  |  | <b>5,425</b>     |
| <b>Segment assets</b>  | <b>606,459</b>              | <b>2,426,262</b>                | <b>-</b>                        | <b>28,847</b>                           | <b>298,536</b>              | <b>799,868</b>   | <b>(686,117)</b>                           | <b>3,473,855</b> |
| Investment in an associate   |                             |                                 |                                 |   |                             |                  |  | 4,670            |
|  |                             |                                 |                                 |   |                             |                  |  | <b>3,478,525</b> |

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

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

Not applicable.

**A30 Subsequent Events**

There are no material events subsequent to the end of the financial period ended 31 January 2010 except for the following:

- (a) On 22 February 2010, a wholly-owned subsidiary of the Company, HwangDBS Commercial Bank Plc has incorporated a wholly-owned subsidiary, HwangDBS Securities (Cambodia) Plc ("HDBSSC") to undertake stockbroking, corporate finance, underwriting, investment advisory and other related activities in Cambodia, subject to a securities firm licence to be issued by the Securities and Exchange Commission of Cambodia. HDBSSC has an issued and paid-up capital of Riels 40 billion equivalent to USD10 million (fixed exchange rate: Riels 4,000 per USD1) comprising 10 million ordinary shares at a par value of Riels 4,000 equivalent to USD1 each.
- (b) On 23 February 2010, a wholly-owned subsidiary of the Company, HwangDBS Investment Bank Berhad ("HDBSIB") has entered into a Sale and Purchase Agreement with a third party to acquire a freehold property comprising a 3-storey office building with a 2-level basement carpark and a 2-storey detached house annexed to a single storey building at a total consideration of RM45.7 million. A deposit of 10% has been paid by HDBSIB to the seller. The acquisition has not been completed at the date of this announcement.

**A31 Changes in the Composition of the Group**

There are no changes in the composition of the Group for the current quarter and financial period ended 31 January 2010.

**A32 Changes in Contingent Liabilities or Contingent Assets**

Please refer to explanatory note A24.

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**B. Explanatory Notes in accordance with Chapter 9, Part K of the Bursa Malaysia Securities Berhad Main Market Listing Requirement**

**B1 Review of Performance of the Company and its Principal Subsidiaries**

The Group recorded a total operating revenue of RM173.4 million in the first half of the financial year 2010 against RM140.3 million for the corresponding period in the preceding financial year. The 24% increase in operating revenue is primarily contributed by higher stockbroking brokerage income, in line with the increase in value traded in Bursa Malaysia Securities Berhad from RM103.8 billion to RM163.8 billion during the current financial period under review. In addition, the higher operating revenue is also driven by increase in gains from trading in securities by the investment banking division and higher fund management fees, partially offset by lower realised foreign exchange gains.

For the six months ended 31 January 2010, the Group achieved a pretax profit of RM47.6 million as compared to RM5.4 million posted in the previous corresponding period ended 31 January 2009 on the back of higher stockbroking brokerage and net interest income, increase in net gain from securities trading coupled with lower loss on trading and fair value of derivatives. The increase in profitability was, however, partially offset by a higher loan loss provisioning and higher personnel costs during the current financial period under review.

On a similar trend, the Group registered a total operating revenue and pretax profit of RM86.4 million and RM24.5 million for the second quarter of the financial year 2010, as compared to RM57.1 million and RM0.05 million recorded in the previous corresponding quarter ended 31 January 2009 respectively.

In the opinion of the Board of Directors, no item, transaction or event of a material and unusual nature has arisen which would affect substantially the results of the operations of the Group for the financial period from 31 January 2010 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**

On a quarter-on-quarter basis, the pretax profit of the Group of RM24.5 million for the current quarter under review approximates the pretax profit of RM23.1 million recorded for the immediate preceding quarter ended 31 October 2009. The marginal improvement in profitability is mainly attributable to reduction in loan loss provisioning in the current quarter, the effect of which is reduced by lower fair value gain on securities held-for-trading and marked-to-market loss on derivatives.

**B3 Commentary**

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

The Malaysian economy is set to steadily gain traction in year 2010 with various domestic economic indicators continuing to show improvements against a backdrop of increased domestic spending, improved business sentiments and gradual recovery in global demand.

The positive signs of the local economic outlook and expected rebound of the capital market activities will augur well for the core business activities of the Group. However, the investment banking and stockbroking industry is expected to remain challenging with increasing competition and liberalisation. The Group will continue to strengthen its capacity and capability to compete and build its investment banking business and maintain its market leadership in the stockbroking industry.

The Group's fund and asset management activities, consumer financing as well as its overseas commercial banking business are growing as expected.

The Board of Directors is confident that the Group will continue to turn in satisfactory performance for the remaining two quarters of the financial year ending 31 July 2010.

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**B3 Commentary (cont'd)**

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

Not applicable.

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

Not applicable.

**B5 Profit Forecast and Profit Guarantee**

Not applicable.

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2010**

**B6 Taxation**

The analysis of the tax expense for the current quarter and financial period ended 31 January 2010 are as follows:

|   | <u>Individual Quarter</u>                          |  | <u>Cumulative Quarter</u>                          |  |
|---|--|--|--|--|
|   | <b>3 months<br/>ended<br/>31-Jan-10<br/>RM'000</b> | <b>3 months<br/>ended<br/>31-Jan-09<br/>RM'000</b> | <b>6 months<br/>ended<br/>31-Jan-10<br/>RM'000</b> | <b>6 months<br/>ended<br/>31-Jan-09<br/>RM'000</b> |
| In respect of the current financial period: |  |  |  |  |
| Malaysian income tax                        | (7,259)  | (2,159)  | (13,137)   | (4,321)  |
| Foreign income tax                          | (11)   | -  | (18)   | -  |
| Deferred tax                                | 450  | 2,080  | 482  | 2,450  |
|   | <u>(6,820)</u>                                     | <u>(79)</u>  | <u>(12,673)</u>                                    | <u>(1,871)</u>                                     |
| In respect of prior financial years:        |  |  |  |  |
| Malaysian income tax                        | -  | 23   | -  | 23   |
| Deferred tax                                | -  | (225)  | -  | (236)  |
|   | <u>(6,820)</u>                                     | <u>(281)</u>                                       | <u>(12,673)</u>                                    | <u>(2,084)</u>                                     |

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

The effective tax rate for the current quarter and financial period ended 31 January 2010 is higher than the statutory tax rate mainly due to certain expenses which are not deductible for tax purposes, partially offset by capital gains and certain income, which are not subject to tax.

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.

The MOF has vide its letter dated 11 February 2010, forwarded to the Liquidator of Taiping Recovery Sdn. Bhd. (In Liquidation) ("TRSB"), the draft agreement to be signed between the MOF and the Liquidator of 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. Pending finalisation and signing of the said agreement by the respective parties and the utilisation of the resultant tax credit by HDBSIB, the effect of the tax credit has yet to be recognised in the financial statements as at 31 January 2010.

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

There are no disposal of unquoted investments and properties for the current quarter and financial period ended 31 January 2010.

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2010**

**B8 Purchase and Sales of Quoted Securities**

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

|                                  | <b>Current quarter<br/>ended<br/>31-Jan-10<br/>RM'000</b> | <b>Financial<br/>period ended<br/>31-Jan-10<br/>RM'000</b> |
|----------------------------------|---|--|
| (i) Total Purchase Consideration | <u>3,891</u>  | <u>6,109</u>   |
| (ii) Total Sales Proceeds        | <u>3,235</u>  | <u>6,078</u>   |
| (iii) Total Profit on Disposal   | <u>710</u>  | <u>1,168</u>   |

- (b) Total investments in quoted securities held by the Group other than HDBSIB as at 31 January 2010 are as follows:

|                       | <b>RM'000</b> |
|-----------------------|---------------|
| (i) At Cost           | <u>14,193</u> |
| (ii) At Book Value    | <u>15,176</u> |
| (iii) At Market Value | <u>15,176</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 8 December 2009, two indirect dormant wholly-owned subsidiaries of the Company namely, HwangDBS Custodian Nominees (Asing) Sdn. Bhd. ("CNA") and HwangDBS Custodian Nominees (Tempatan) Sdn. Bhd. ("CNT") have submitted an application to the Companies Commission of Malaysia ("CCM") pursuant to Section 308(1) of the Companies Act, 1965 for a voluntary striking-off.

The striking-off of CNA and CNT will not have any impact on the net assets and earnings per share of the Group for the financial year ending 31 July 2010. At the date of this announcement, the striking-off of CNA and CNT is pending approval by CCM.

**B10 Group Borrowings and Debt Securities**

Please refer to explanatory note A17.



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2010**

**B11 Off-Balance Sheet Financial Instruments**

The value of financial instruments with off-balance sheet risk as at 24 March 2010 classified by the remaining periods to maturity or next repricing date (whichever is earlier) are as follows:

| Item                                       | Principal amount<br>RM'000 | 1 month or less<br>RM'000 | > 1 to 3 months<br>RM'000 | > 3 to 6 months<br>RM'000 | > 6 to 12 months<br>RM'000 | > 1 to 5 years<br>RM'000 | Margin requirement<br>RM'000 |
|--|----------------------------|---------------------------|---------------------------|---------------------------|----------------------------|--------------------------|------------------------------|
| <b>Foreign exchange related contracts:</b> |                            |                           |                           |                           |                            |                          |                              |
| - currency forwards                        | 17,804                     | 17,804                    | -                         | -                         | -                          | -                        | -                            |
| - currency swaps                           | 77,118                     | 77,118                    | -                         | -                         | -                          | -                        | -                            |
| - cross currency interest rate swaps       | 281,646                    | -                         | 182,276                   | 99,370                    | -                          | -                        | -                            |
| <b>Interest rate related contracts:</b>    |                            |                           |                           |                           |                            |                          |                              |
| - forward contracts                        | 5,000                      | 5,000                     | -                         | -                         | -                          | -                        | -                            |
| - futures contracts                        | 5,157,000                  | -                         | 272,000                   | 375,000                   | 785,000                    | 3,725,000                | 3,388                        |
| - interest rate swaps                      | 1,428,000                  | 480,000                   | 820,000                   | 128,000                   | -                          | -                        | -                            |
|  | <b>6,966,568</b>           | <b>579,922</b>            | <b>1,274,276</b>          | <b>602,370</b>            | <b>785,000</b>             | <b>3,725,000</b>         | <b>3,388</b>                 |

Credit risk

Credit risk or counterparty risk is the exposure to loss due to counterparty's default on credit obligations. As at 24 March 2010, the amount of credit risk of the Group, measured in terms of the cost to replace profitable contracts is RM14.0 million (At 31 July 2009: RM22.9 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 24 March 2010, the net exposure of the Group to interest rate risk and foreign currency risk, which were not hedged amounted to RM645.2 million (At 31 July 2009: RM366.8 million) and RM52.0 million (At 31 July 2009: RM22.4 million) 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 the balance sheet date applicable to their respective dates of maturity. Fair values of other over-the-counter derivatives are obtained using valuation techniques. Unrealised gains or losses arising from changes in fair values of derivative financial instruments are recognised in the income statement in the period in which they arise.

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2010**

**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) A 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 client filed an appeal after the High Court dismissed the client's application to reopen his case in order to call further witness to give evidence. The Court of Appeal affirmed the High Court's decision in dismissing the client's application to reopen his case on 9 November 2009. The High Court has dismissed the client's claim against HDBSIB and allowed HDBSIB's claim against the client on 23 March 2010.
- (b) A client of HDBSIB filed a claim for damages of RM10 million against HDBSIB in July 2002. The client alleged that the losses in his account were incurred by a third party and HDBSIB had defamed him by wrongfully reporting him to Bursa Securities as a defaulter. HDBSIB has filed its defence. The client's claim was struck off by the Court on 15 January 2010. The client's application to reinstate the claim was allowed by the Court on 16 March 2010 and the Court has fixed 29 March 2010 for case management.

**B13 Dividends**

Please refer to explanatory note A7.

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2010**

**B14 Earnings/(Loss) Per Share Attributable to Equity Holders of the Company**

|  | <u>Individual Quarter</u>      |                                | <u>Cumulative Quarter</u>      |                                |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|  | 3 months<br>ended<br>31-Jan-10 | 3 months<br>ended<br>31-Jan-09 | 6 months<br>ended<br>31-Jan-10 | 6 months<br>ended<br>31-Jan-09 |
| Profit for the financial period attributable to equity holders of the Company (RM'000) | 16,840                         | (1,110)                        | 33,141                         | 1,871                          |
| Weighted average number of ordinary shares in issue ('000)                             | 255,165                        | 255,175                        | 255,166                        | 255,176                        |
| <b>Basic earnings/(loss) per share (sen)</b>   | <b>6.60</b>                    | <b>(0.43)</b>                  | <b>12.99</b>                   | <b>0.73</b>                    |
| Profit for the financial period attributable to equity holders of the Company (RM'000) | 16,840                         | (1,110)                        | 33,141                         | 1,871                          |
| Weighted average number of ordinary shares in issue (as above) ('000)                  | 255,165                        | 255,175                        | 255,166                        | 255,176                        |
| <b>Diluted earnings/(loss) per share (sen)</b>   | <b>6.60</b>                    | <b>(0.43)</b>                  | <b>12.99</b>                   | <b>0.73</b>                    |

**By Order of the Board**

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

**Penang  
30 March 2010**