

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED BALANCE SHEET AS AT 31 JULY 2010

	Note	As at 31-Jul-10 RM'000	As at 31-Jul-09 RM'000
Assets			
Cash and short term funds		1,148,293	847,215
Deposits and placements with banks and other financial institutions		140,246	87,781
Securities held-for-trading	A8	503,808	425,408
Securities available-for-sale ("AFS")	A9	470,181	86,032
Securities held-to-maturity	A10	465,323	530,805
Loans, advances and financing	A11	611,509	488,769
Clients' and brokers' balances	A12	205,994	401,084
Derivative assets		14,111	22,759
Other assets	A13	41,206	42,470
Statutory deposits with Central Banks		20,741	11,332
Tax recoverable		14,393	7,804
Deferred tax assets		7,461	4,099
Investment in an associate		3,284	4,061
Property, plant and equipment		55,267	60,248
Investment properties		53,081	6,138
Intangible assets		162,509	162,509
Total assets		<u>3,917,407</u>	<u>3,188,514</u>
Liabilities			
Deposits from customers	A14	589,461	505,371
Deposits and placements of banks and other financial institutions	A15	1,532,003	800,926
Clients' and brokers' balances		209,865	366,630
Derivative liabilities		21,989	49,284
Other liabilities	A16	325,670	341,823
Taxation		4,485	4,716
Deferred tax liabilities		867	581
Borrowings	A17	407,500	334,500
Total liabilities		<u>3,091,840</u>	<u>2,403,831</u>
Equity			
Share capital		265,845	265,845
Reserves		560,064	520,963
Treasury shares, at cost		(16,061)	(16,046)
		<u>809,848</u>	<u>770,762</u>
Minority interests		15,719	13,921
Total equity		<u>825,567</u>	<u>784,683</u>
Total liabilities and equity		<u>3,917,407</u>	<u>3,188,514</u>
Net assets per share (RM)		<u>3.17</u>	<u>3.02</u>

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 YEAR ENDED 31 JULY 2010

	Note	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
		3 months ended 31-Jul-10 RM'000	3 months ended 31-Jul-09 RM'000	12 months ended 31-Jul-10 RM'000	12 months ended 31-Jul-09 RM'000
Operating revenue		88,679	83,288	346,942	295,798
Interest income	A18	45,070	34,613	165,658	149,395
Interest expense	A19	(19,808)	(14,236)	(69,287)	(75,956)
Net interest income		25,262	20,377	96,371	73,439
Other operating income	A20	40,879	55,886	179,487	125,914
		66,141	76,263	275,858	199,353
Other operating expenses	A21	(45,405)	(48,738)	(177,390)	(150,084)
		20,736	27,525	98,468	49,269
Allowance for losses on loans, advances and financing	A22	(3,833)	(5,009)	(10,834)	(2,832)
Allowance for bad and doubtful debts on on clients' balances and receivables	A23	(903)	(166)	(465)	(40)
Impairment loss on securities AFS		-	-	(650)	-
		16,000	22,350	86,519	46,397
Share of results of an associate, net of tax		(41)	(300)	(777)	(877)
Share of results of jointly controlled entities, net of tax		-	-	-	(2)
Profit before taxation		15,959	22,050	85,742	45,518
Taxation	B6	(2,186)	(4,643)	(21,308)	(11,154)
Profit for the financial year		13,773	17,407	64,434	34,364
Attributable to:					
Equity holders of the Company		12,762	16,441	60,874	31,290
Minority interests		1,011	966	3,560	3,074
		13,773	17,407	64,434	34,364
Earnings per share attributable to equity holders of the Company (sen)	B14				
- Basic		5.00	6.44	23.86	12.26

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 YEAR ENDED 31 JULY 2010

Attributable to Equity Holders of the Company

	Issued and fully paid ordinary shares of RM1 each										
	Number of shares '000	Nominal value RM'000	Treasury shares RM'000	Share premium RM'000	Statutory reserve RM'000	AFS reserve RM'000	Foreign exchange reserve RM'000	Retained profits RM'000	Sub-total RM'000	Minority interests RM'000	Total equity RM'000
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	-	-	-	-	-	-	(8,758)	-	(8,758)	-	(8,758)
Net change in fair value of securities AFS, net of tax	-	-	-	-	-	3,786	-	-	3,786	-	3,786
Net gain transferred to income statement on disposal of securities AFS	-	-	-	-	-	(2,448)	-	-	(2,448)	-	(2,448)
Net gain/(loss) recognised directly in equity	-	-	-	-	-	1,338	(8,758)	-	(7,420)	-	(7,420)
Profit for the financial year	-	-	-	-	-	-	-	60,874	60,874	3,560	64,434
Total recognised income and expenses for the financial year	-	-	-	-	-	1,338	(8,758)	60,874	53,454	3,560	57,014
Transfer to statutory reserve	-	-	-	-	18,811	-	-	(18,811)	-	-	-
Shares repurchased held as treasury shares at cost	(9)	-	(15)	-	-	-	-	-	(15)	-	(15)
Final dividend for the financial year ended 31 July 2009	-	-	-	-	-	-	-	(9,569)	(9,569)	-	(9,569)
Interim dividend for the financial year ended 31 July 2010	-	-	-	-	-	-	-	(4,784)	(4,784)	-	(4,784)
Dividend paid by a subsidiary to minority interests	-	-	-	-	-	-	-	-	-	(1,762)	(1,762)
At 31 July 2010	255,159	265,845	(16,061)	33,090	80,132	2,912	(9,526)	453,456	809,848	15,719	825,567

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 YEAR ENDED 31 JULY 2010

Attributable to Equity Holders of the Company

	Issued and fully paid ordinary shares of RM1 each											
	Number of shares '000	Nominal value RM'000	Treasury shares RM'000	Share premium RM'000	Statutory reserve RM'000	AFS reserve RM'000	Foreign exchange reserve RM'000	Options reserve RM'000	Retained profits RM'000	Sub-total RM'000	Minority interests RM'000	Total equity RM'000
At 1 August 2008	255,178	265,845	(16,033)	33,090	52,557	(1,918)	-	431	412,358	746,330	12,609	758,939
Currency translation differences	-	-	-	-	-	-	(768)	-	-	(768)	-	(768)
Net change in fair value of securities AFS, net of tax	-	-	-	-	-	851	-	-	-	851	-	851
Net loss transferred to income statement on disposal of securities AFS	-	-	-	-	-	2,641	-	-	-	2,641	-	2,641
Net gain/(loss) recognised directly in equity	-	-	-	-	-	3,492	(768)	-	-	2,724	-	2,724
Profit for the financial year	-	-	-	-	-	-	-	-	31,290	31,290	3,074	34,364
Total recognised income and expenses for the financial year	-	-	-	-	-	3,492	(768)	-	31,290	34,014	3,074	37,088
Transfer to statutory reserve	-	-	-	-	8,764	-	-	-	(8,764)	-	-	-
Shares repurchased held as treasury shares at cost	(10)	-	(13)	-	-	-	-	-	-	(13)	-	(13)
Options expired	-	-	-	-	-	-	-	(431)	431	-	-	-
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)
At 31 July 2009	255,168	265,845	(16,046)	33,090	61,321	1,574	(768)	-	425,746	770,762	13,921	784,683

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 YEAR ENDED 31 JULY 2010

	12 months ended 31-Jul-10 RM'000	12 months ended 31-Jul-09 RM'000
Profit for the financial year	64,434	34,364
Adjustments for:		
Non-cash items	92,425	95,933
Non-operating items - investing	(43,892)	(36,407)
Non-operating items - financing	13,274	14,362
	126,241	108,252
Changes in working capital:		
Net changes in operating assets	(79,698)	199,726
Net changes in operating liabilities	672,807	(676,492)
	719,350	(368,514)
Interest paid	(53,266)	(64,604)
Tax paid	(19,746)	(4,987)
Net operating cash flow	646,338	(438,105)
Investing activities		
Net purchase of securities	(337,543)	(57,550)
Interest received from securities	37,283	37,422
Dividends and income distributions received	3,304	1,585
Rental received	178	-
Acquisition of remaining 50% equity interests in jointly controlled entities	-	102
Dilution of equity interests in a subsidiary	-	(1,994)
Purchase of an investment property	(47,065)	-
Proceeds from disposal of other investments	15	-
Property, plant and equipment	(4,750)	(4,805)
Net investing cash flow	(348,578)	(25,240)
Financing activities		
Dividend paid	(14,353)	(9,569)
Dividend paid by a subsidiary to minority interests	(1,762)	(1,762)
Interest paid	(11,590)	(14,620)
Net drawdown of borrowings	73,000	22,500
Shares repurchased	(15)	(13)
Net financing cash flow	45,280	(3,464)
Net change in cash and cash equivalents	343,040	(466,809)
Foreign exchange differences	(8,196)	(776)
Cash and cash equivalents at beginning of the financial year	527,520	995,105
Cash and cash equivalents at end of the financial year	862,364	527,520
Cash and cash equivalents at end of the financial year comprise:		
Cash and short term funds	862,364	527,520

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 YEAR ENDED 31 JULY 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 ended 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 year ended 31 July 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 year ended 31 July 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 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 abovementioned 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 RM1,266,000 for the financial year ended 31 July 2010.

HWANG-DBS (MALAYSIA) BERHAD
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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2010

A6 Debts and Equity Securities

There are no issuance, cancellations, repurchase, resale and repayments of debt and equity securities for the financial year ended 31 July 2010 except that the Company has purchased back 9,000 ordinary shares of RM1 each for cash from the open market at an average price of RM1.64 per share. The share buy-back transactions were financed by internally generated funds. The shares purchased are being held as treasury shares. Details of the share buy-back are as follows:

Month	Number of Shares Purchased	Highest Price RM	Lowest Price RM	Average Price* RM	Total Amount RM
December 2009	5,000	1.65	1.60	1.65	8,261
June 2010	4,000	1.62	1.62	1.63	6,529
	<u>9,000</u>				<u>14,790</u>

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

A7 Dividends

A first and final dividend of 5.0 sen gross 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.

An interim dividend of 2.5 sen gross per ordinary share, less 25% income tax, amounting to RM4,784,304 in respect of the current financial year ending 31 July 2010 was paid on 3 May 2010. (Previous financial year ended 31 July 2009: No interim dividend was declared).

The directors now recommend the payment of a final dividend in respect of the financial year ended 31 July 2010 of 5.0 sen gross per ordinary share, less income tax at 25%, amounting to RM9,568,459 based on the issued and paid-up share capital (less treasury shares) of the Company as at 31 July 2010, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company. This proposed dividend will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 July 2011 when approved by the shareholders.

Total dividends for the financial year ended 31 July 2010 amounted to 7.5 sen gross per ordinary share, less income tax at 25%. (Previous financial year ended 31 July 2009: 5.0 sen gross per ordinary share, less income tax at 25%).

HWANG-DBS (MALAYSIA) BERHAD
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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2010

A8 Securities Held-For-Trading

	As at 31-Jul-10 RM'000	As at 31-Jul-09 RM'000
At fair value		
Quoted in Malaysia:		
Shares, warrants and REITs	21,068	19,530
Loan stocks	-	1,393
Unit trusts	15,465	11,975
	36,533	32,898
Unquoted:		
<i>In Malaysia</i>		
Negotiable instruments of deposits	50,000	30,053
Bankers' acceptances	45,461	132,480
Malaysian Government Securities	-	51,216
Malaysian Government Treasury Bills	29,866	-
BNM Monetary Notes	99,532	-
Private and Islamic debt securities	218,360	178,761
<i>Outside Malaysia</i>		
Private debt securities	24,056	-
	503,808	425,408

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

	As at 31-Jul-10 RM'000	As at 31-Jul-09 RM'000
At fair value		
Quoted in Malaysia:		
Shares, warrants and REITs	17,104	13,650
Unit trusts	55,874	5,382
	72,978	19,032
Unquoted:		
<i>In Malaysia</i>		
Malaysian Government Securities	-	66,510
Malaysian Government Sukuk	6,632	-
Private and Islamic debt securities	390,081	-
At cost		
Unquoted:		
Shares	1,140	4,490
	470,831	90,032
Accumulated impairment loss	(650)	(4,000)
	470,181	86,032

Included in the securities AFS are:

- (i) quoted shares amounting to RM17.1 million (2009: RM13.7 million) held under funds under management placed by the Company with a subsidiary, HwangDBS Investment Management Berhad ("HDBSIM"), which is given the discretionary powers within certain guidelines to invest the funds; and
- (ii) investments in unit trust funds managed by a subsidiary, HDBSIM, at a carrying amount of RM54.4 million (2009: RM4.1 million) as at the balance sheet date.

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2010

A10 Securities Held-To-Maturity

	As at 31-Jul-10 RM'000	As at 31-Jul-09 RM'000
At amortised cost		
Unquoted		
<i>In Malaysia</i>		
Malaysian Government Securities	70,643	71,495
Private and Islamic debt securities	279,558	333,057
<i>Outside Malaysia</i>		
Private debt securities	115,122	126,253
	465,323	530,805

In a prior financial year, the Group has reclassified certain securities held-for-trading to held-to-maturity category with retrospective effect to 1 August 2008 following the guidance as set out in the BNM Circular, "Reclassification of Securities under Specific Circumstances" as a consequence of the illiquid market then, which resulted in the Group no longer holding these securities for purpose of selling or trading over the near term. The fair value of the reclassified securities which remained in the held-to-maturity category as at the balance sheet date amounted to RM397,538,000 (2009: RM439,707,000), at an effective interest rate of 6.69% (2009: 6.70%) per annum as at the date of reclassification.

The carrying amount and fair value of securities held-to-maturity reclassified from held-for-trading category as at the balance sheet date are as follows:

	As at 31-Jul-10 RM'000	As at 31-Jul-09 RM'000
Carrying amount	394,680	459,310
Fair value	427,930	456,690

There is no fair value gain or loss being recognised in the current financial year in respect of the reclassified securities. There is no significant change in the estimated amount of cash flows that the Group expects to recover from the reclassified securities.

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2010

A11 Loans, Advances and Financing

	As at 31-Jul-10 RM'000	As at 31-Jul-09 RM'000
(a) By Type		
Term loans		
- housing loans	2,338	-
- bridging loans	8,550	79,688
- syndicated term loans	85,834	81,357
- other term loans	460,555	409,560
Overdrafts	171	-
Share margin financing	259,300	105,193
	<u>816,748</u>	<u>675,798</u>
Unearned interest	<u>(182,827)</u>	<u>(171,328)</u>
	633,921	504,470
Allowance for losses on loans, advances and financing:		
- general	(9,251)	(6,914)
- specific	<u>(13,161)</u>	<u>(8,787)</u>
Net loans, advances and financing	<u>611,509</u>	<u>488,769</u>
(b) By Type of Customer		
Domestic business enterprises		
- others	159,021	223,983
Individuals	259,838	90,284
Other domestic entities	206,745	182,932
Foreign entities	8,317	7,271
	<u>633,921</u>	<u>504,470</u>
(c) By Interest Rate Sensitivity		
Fixed rate		
- other fixed rate loans/financing	537,198	338,402
- housing loans	2,338	-
Variable rate		
- base-lending rate plus	10,054	-
- cost-plus	<u>84,331</u>	<u>166,068</u>
	<u>633,921</u>	<u>504,470</u>
(d) By Purpose		
Purchase of landed properties		
- residential	2,338	-
- non-residential	544	36,087
Construction	2,579	-
Real estates	1,213	-
Purchase of securities	308,195	161,051
Working capital	42,104	68,787
Personal use	229,327	198,471
Others	<u>47,621</u>	<u>40,074</u>
	<u>633,921</u>	<u>504,470</u>

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2010

A11 Loans, Advances and Financing (cont'd)

	As at 31-Jul-10 RM'000	As at 31-Jul-09 RM'000
(e) Non-Performing Loans, Advances and Financing ("NPLs") by Purpose		
Purchase of securities	1,678	1,018
Working capital	8,550	8,550
Personal use	3,899	3,575
	<u>14,127</u>	<u>13,143</u>
(f) Movements in NPLs		
At beginning of the financial year	13,143	13,652
Classified as non-performing	7,429	13,158
Reclassified as performing	(154)	(223)
Amount recovered	(2,174)	(13,444)
Amount written off	(4,117)	-
At end of the financial year	<u>14,127</u>	<u>13,143</u>
Less: Specific allowance	<u>(13,161)</u>	<u>(8,787)</u>
Net NPLs	<u>966</u>	<u>4,356</u>
Net NPLs as a % of gross loans, advances and financing less specific allowance	<u>0.2%</u>	<u>0.9%</u>
(g) Movements in Allowance for Losses on Loans, Advances and Financing		
<u>General Allowance</u>		
At beginning of the financial year	6,914	7,819
Allowance made/(written back)	2,343	(905)
Exchange differences	(6)	-
At end of the financial year	<u>9,251</u>	<u>6,914</u>
As a % of gross loans, advances and financing less specific allowance	<u>1.5%</u>	<u>1.4%</u>
<u>Specific Allowance</u>		
At beginning of the financial year	8,787	5,050
Allowance made	9,276	7,292
Amount written back	(785)	(3,555)
Amount written off	(4,117)	-
At end of the financial year	<u>13,161</u>	<u>8,787</u>

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2010

A12 Clients' and Brokers' Balances

	As at 31-Jul-10 RM'000	As at 31-Jul-09 RM'000
Clients' and brokers' balances, net of allowance for bad and doubtful debts	205,994	401,084

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

General Allowance

At beginning of the financial year	60	59
Allowance (written back)/made	(60)	1
At end of the financial year	-	60

Specific Allowance

At beginning of the financial year	831	1,212
Allowance made	1,028	366
Amount written back	(250)	(283)
Amount written off	(1,046)	(464)
At end of the financial year	563	831

A13 Other Assets

	As at 31-Jul-10 RM'000	As at 31-Jul-09 RM'000
Trade receivables, net of allowance for bad and doubtful debts of RM488,000 (2009: RM362,000)	6,084	5,905
Interest receivable	17,195	15,535
Statutory deposit	150	150
Clearing Guarantee Fund	1,956	1,924
Clearing Fund	1,000	1,000
Other receivables, deposits and prepayments	11,924	15,050
Other investments	2,897	2,906
	41,206	42,470

A14 Deposits from Customers

	As at 31-Jul-10 RM'000	As at 31-Jul-09 RM'000
(a) By Type of Deposit		
Demand deposits	6,061	11
Savings deposits	448	99
Fixed deposits	582,427	503,261
Negotiable instruments of deposits	525	2,000
	589,461	505,371

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2010

A14 Deposits from Customers (cont'd)

	As at 31-Jul-10 RM'000	As at 31-Jul-09 RM'000
(b) By Type of Customer		
Government and statutory bodies	-	150,000
Business enterprises	549,652	340,525
Individuals	36,919	12,309
Others	2,890	2,537
	589,461	505,371
	589,461	505,371

A15 Deposits and Placements of Banks and Other Financial Institutions

	As at 31-Jul-10 RM'000	As at 31-Jul-09 RM'000
Licensed banks	184,945	116,689
Licensed investment banks	183,391	60,000
Other financial institutions	1,163,667	624,237
	1,532,003	800,926
	1,532,003	800,926

A16 Other Liabilities

	As at 31-Jul-10 RM'000	As at 31-Jul-09 RM'000
Trade payables	11,627	9,277
Interest payable	8,559	4,131
Other payables and accruals	305,484	328,415
	325,670	341,823
	325,670	341,823

A17 Borrowings

(a) Total borrowings of the Group of RM407.5 million as at 31 July 2010 are unsecured of which RM164 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:

	As at 31-Jul-10 RM'000	As at 31-Jul-09 RM'000
Short term borrowings		
Revolving credits	407,500	334,500
Long term borrowings		
	-	-
Total borrowings	407,500	334,500
	407,500	334,500

(c) All borrowings are denominated in Ringgit Malaysia.

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A18 Interest Income

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jul-10 RM'000	3 months ended 31-Jul-09 RM'000	12 months ended 31-Jul-10 RM'000	12 months ended 31-Jul-09 RM'000
Loans, advances and financing				
- Interest income other than recoveries from NPLs	18,434	14,766	67,979	56,946
- Recoveries from NPLs	22	4	65	472
Money at call and deposit placements with financial institutions	7,077	2,797	21,757	18,511
Securities:				
- held-for-trading	3,848	2,541	18,986	22,366
- AFS	3,284	467	7,718	793
- held-to-maturity	7,234	8,337	29,974	33,723
Others	3,486	4,201	16,336	8,716
	<u>43,385</u>	<u>33,113</u>	<u>162,815</u>	<u>141,527</u>
Accretion of discount less amortisation of premium	1,862	1,943	3,441	8,737
Interest suspended	(177)	(443)	(598)	(869)
	<u>45,070</u>	<u>34,613</u>	<u>165,658</u>	<u>149,395</u>

A19 Interest Expense

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jul-10 RM'000	3 months ended 31-Jul-09 RM'000	12 months ended 31-Jul-10 RM'000	12 months ended 31-Jul-09 RM'000
Deposits and placements of banks and other financial institutions	(9,542)	(3,764)	(30,005)	(28,642)
Deposits from customers	(3,502)	(3,156)	(12,850)	(19,333)
Borrowings	(3,843)	(2,998)	(13,274)	(14,362)
Others	(2,921)	(4,318)	(13,158)	(13,619)
	<u>(19,808)</u>	<u>(14,236)</u>	<u>(69,287)</u>	<u>(75,956)</u>

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A20 Other Operating Income

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jul-10 RM'000	3 months ended 31-Jul-09 RM'000	12 months ended 31-Jul-10 RM'000	12 months ended 31-Jul-09 RM'000
Fee and commission income:				
Brokerage	19,338	33,836	86,924	79,358
Unit trust management and incentive fees	10,891	8,005	39,980	29,986
Advisory and arranger fees	1,243	919	4,548	6,709
Underwriting commission and placement income	20	-	712	48
Rollover fees	733	365	2,822	2,209
Service charges and fees	183	193	850	913
Other fees and commission	1,818	2,161	8,841	9,159
	<u>34,226</u>	<u>45,479</u>	<u>144,677</u>	<u>128,382</u>
Net gain/(loss) arising from disposal of:				
- securities held-for-trading	687	4,982	8,429	8,751
- derivatives	(1,536)	(2,069)	(4,887)	(13,068)
- securities AFS	230	118	3,154	(2,544)
- securities held-to-maturity	360	2,374	475	2,374
	<u>(259)</u>	<u>5,405</u>	<u>7,171</u>	<u>(4,487)</u>
Net unrealised gain/(loss) on:				
- securities held-for-trading	(569)	3,139	3,601	6,060
- derivatives	842	(2,764)	(651)	(20,550)
	<u>273</u>	<u>375</u>	<u>2,950</u>	<u>(14,490)</u>
Gross dividends/income distributions from:				
- securities held-for-trading	192	119	2,497	864
- securities AFS	610	395	1,157	1,047
	<u>802</u>	<u>514</u>	<u>3,654</u>	<u>1,911</u>
Other income:				
Initial service charge	4,054	2,298	15,801	7,928
Net foreign exchange gain/(loss):				
- realised	1,012	(6,831)	6,000	1,952
- unrealised	(411)	7,671	(4,534)	1,320
Rental Income	330	143	758	571
Others	852	832	3,010	2,827
	<u>5,837</u>	<u>4,113</u>	<u>21,035</u>	<u>14,598</u>
Total	<u>40,879</u>	<u>55,886</u>	<u>179,487</u>	<u>125,914</u>

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A21 Other Operating Expenses

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jul-10 RM'000	3 months ended 31-Jul-09 RM'000	12 months ended 31-Jul-10 RM'000	12 months ended 31-Jul-09 RM'000
Personnel costs:				
- Salaries, allowances and bonus	(15,113)	(19,504)	(63,618)	(56,434)
- Contributions to a defined contribution plan	(2,102)	(2,430)	(8,540)	(7,838)
- Others	(4,589)	(3,095)	(14,573)	(9,850)
	<u>(21,804)</u>	<u>(25,029)</u>	<u>(86,731)</u>	<u>(74,122)</u>
Establishment related costs:				
- Depreciation	(1,989)	(2,085)	(8,197)	(8,490)
- Rental of premises	(1,096)	(1,005)	(4,276)	(3,875)
- Rental of equipment	(645)	(666)	(2,672)	(2,756)
- Repairs and maintenance of premises and equipment	(614)	(440)	(1,642)	(1,252)
- Information technology expenses	(825)	(687)	(2,913)	(2,545)
- Others	(1,108)	(1,596)	(4,225)	(4,699)
	<u>(6,277)</u>	<u>(6,479)</u>	<u>(23,925)</u>	<u>(23,617)</u>
Promotion and marketing related expenses:				
- Promotion and business development	(3,362)	(4,810)	(14,645)	(11,922)
- Travelling and accommodation	(215)	(100)	(654)	(756)
- Others	(1,845)	(588)	(5,275)	(4,192)
	<u>(5,422)</u>	<u>(5,498)</u>	<u>(20,574)</u>	<u>(16,870)</u>
Administrative and general expenses:				
- Professional and consultancy fees	(1,165)	(772)	(3,705)	(2,533)
- Communication expenses	(976)	(1,185)	(4,729)	(5,013)
- Incentives and commission	(6,043)	(4,339)	(23,049)	(14,270)
- Regulatory charges	(1,480)	(2,756)	(6,361)	(5,666)
- Others	(2,238)	(2,680)	(8,316)	(7,993)
	<u>(11,902)</u>	<u>(11,732)</u>	<u>(46,160)</u>	<u>(35,475)</u>
Total	<u>(45,405)</u>	<u>(48,738)</u>	<u>(177,390)</u>	<u>(150,084)</u>

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A22 Allowance for Losses on Loans, Advances and Financing

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jul-10 RM'000	3 months ended 31-Jul-09 RM'000	12 months ended 31-Jul-10 RM'000	12 months ended 31-Jul-09 RM'000
Allowance for bad and doubtful debts:				
Specific allowance				
- made during the financial year	(1,682)	(4,988)	(9,276)	(7,292)
- written back during the financial year	152	128	785	3,555
	<u>(1,530)</u>	<u>(4,860)</u>	<u>(8,491)</u>	<u>(3,737)</u>
General allowance				
- (made)/written back during the financial year	(2,303)	(149)	(2,343)	905
	<u>(3,833)</u>	<u>(5,009)</u>	<u>(10,834)</u>	<u>(2,832)</u>

A23 Allowance for Bad and Doubtful Debts on Clients' Balances and Receivables

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jul-10 RM'000	3 months ended 31-Jul-09 RM'000	12 months ended 31-Jul-10 RM'000	12 months ended 31-Jul-09 RM'000
Allowance for bad and doubtful debts:				
Specific allowance				
- made during the financial year	(1,024)	(403)	(1,154)	(693)
- written back during the financial year	51	129	250	283
	<u>(973)</u>	<u>(274)</u>	<u>(904)</u>	<u>(410)</u>
General allowance				
- written back/(made) during the financial year	-	(4)	60	(1)
Bad debts:				
- recovered	89	112	398	371
- written off	(19)	-	(19)	-
	<u>(903)</u>	<u>(166)</u>	<u>(465)</u>	<u>(40)</u>

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A24 Commitments and Contingencies

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

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

	As at 31-Jul-10			As at 31-Jul-09		
	Principal amount RM'000	Credit equivalent amount* RM'000	Risk- weighted amount RM'000	Principal amount RM'000	Credit equivalent amount* RM'000	Risk- weighted amount RM'000
Direct credit substitutes	20,000	20,000	4,000	32,500	32,500	6,500
Forward asset purchases	25,021	25,021	11,011	-	-	-
Commitments to extend credits with maturity of ⁽¹⁾ :						
- less than 1 year	396,455	2,172	434	372,221	4,104	2,385
- 1 year to less than 5 years	16,746	8,480	1,760	27,392	13,696	2,739
- 5 years and above	2,216	2,216	1,108	-	-	-
Foreign exchange related contracts:						
- less than 1 year	215,642	1,747	1,148	89,759	860	434
- 1 year to less than 5 years	280,697	21,858	9,404	224,230	22,116	11,058
Interest rate related contracts:						
- less than 1 year	1,715,000	1,169	538	983,000	1,460	730
- 1 year to less than 5 years	4,548,000	34,832	12,301	6,263,000	61,884	21,856
	7,219,777	117,495	41,704	7,992,102	136,620	45,702

* The credit equivalent amount in respect of the off-balance sheet exposures of the investment banking subsidiary is arrived at using the credit conversion factors as specified by Bank Negara Malaysia.

⁽¹⁾ Included in the commitments to extend credits as at 31 July 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 31-Jul-10 RM'000	As at 31-Jul-09 RM'000
Capital expenditure commitments	13,351	9,584
Non-cancellable operating lease commitments	9,435	4,951
	22,786	14,535

A26 Capital Adequacy

(a) Capital adequacy ratios

(i) HwangDBS Investment Bank Berhad ("HDBSIB")

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 31-Jul-10 RM'000	As at 31-Jul-09 RM'000
<u>Tier I capital</u>		
Issued and fully paid share capital	500,000	500,000
Retained profits	207,984	198,577
Statutory reserve	80,132	61,321
	788,116	759,898
Less: Goodwill	(110,002)	(110,002)
Total Tier I capital	678,114	649,896
<u>Tier II capital</u>		
General allowance for losses on loans, advances and financing	5,807	4,137
Total Tier II capital	5,807	4,137
Total capital	683,921	654,033
Less:		
Less: Investment in subsidiaries	(3,081)	(3,081)
Other deductions	(794)	(540)
Capital base	680,046	650,412
Eligible capital	680,046	650,412
Before deducting proposed dividend:		
Tier I capital ratio	31.6%	33.8%
Risk-weighted capital ratio	31.7%	33.9%
After deducting proposed dividend:		
Tier I capital ratio	30.7%	33.4%
Risk-weighted capital ratio	30.8%	33.5%

(ii) HwangDBS Commercial Bank Plc ("HDCB")

The solvency ratio of 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. The solvency ratio of HDCB is as follows:

	As at 31-Jul-10	As at 31-Jul-09
Solvency ratio	57.7%	-

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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 exposures RM'000	Net exposures RM'000	Risk-weighted assets RM'000	Capital requirements RM'000
At 31 July 2010				
(i) Credit Risk				
<i>On-balance sheet exposures</i>				
Sovereigns/Central Banks	324,221	324,221	1,334	107
Banks, Development Financial Institutions ("DFIs") & Multilateral Development Banks ("MDBs")	937,847	937,847	437,712	35,017
Insurance companies, securities firms & fund managers	53,774	53,774	32,693	2,615
Corporates	873,618	873,618	495,295	39,624
Regulatory retail	223,130	223,130	222,713	17,817
Other assets	322,745	322,745	272,671	21,814
Defaulted exposures	1,141	1,141	603	48
Sub-total	2,736,476	2,736,476	1,463,021	117,042
<i>Off-balance sheet exposures</i>				
Over-the-counter ("OTC") derivatives	59,606	59,606	23,391	1,871
Off-balance sheet exposures other than OTC or credit derivatives	55,459	55,459	17,098	1,368
Sub-total	115,065	115,065	40,489	3,239
Total credit risk exposures	2,851,541	2,851,541	1,503,510	120,281
(ii) Large exposures risk requirements				
	-	-	-	-
(iii) Market risk				
	Long position RM'000	Short position RM'000		
Interest rate risk	6,797,147	6,337,702	459,445	20,077
Foreign currency risk	328,516	256,908	71,608	5,729
Equity risk	21,047	-	21,047	4,587
	7,146,710	6,594,610	552,100	30,393
(iv) Operational risk			262,024	20,962
(v) Total risk-weighted assets and capital requirements			2,145,448	171,636

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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 (cont'd):

	Gross exposures RM'000	Net exposures RM'000	Risk-weighted assets RM'000	Capital requirements RM'000
At 31 July 2009				
(i) Credit Risk				
<i>On-balance sheet exposures</i>				
Sovereigns/Central Banks	263,902	263,902	-	-
Banks, Development Financial Institutions ("DFIs") & Multilateral Development Banks ("MDBs")	639,838	639,838	315,121	25,210
Insurance companies, securities firms & 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
Sub-total	2,165,259	2,165,259	1,171,969	93,757
<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 OTC or credit derivatives	54,623	54,623	13,786	1,103
Sub-total	136,620	136,620	45,702	3,656
Total credit risk exposures	2,301,879	2,301,879	1,217,671	97,413
(ii) Large exposures risk requirements				
	-	-	-	-
(iii) Market risk				
	Long position RM'000	Short position 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
	7,858,046	7,447,982	410,064	384,544
(iv) Operational risk			319,227	25,538
(v) Total risk-weighted assets and capital requirements			1,921,442	153,714

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A26 Capital Adequacy (cont'd)

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

Risk weights	Exposures after netting and credit risk mitigation							Total risk-weighted assets RM'000
	Sovereigns /Central Banks RM'000	Banks, DFIs and MDBs RM'000	Insurance companies, securities firms & fund managers RM'000	Corporates RM'000	Regulatory retail RM'000	Other assets RM'000	Total RM'000	
At 31 July 2010								
0%	317,550	-	-	48	417	29,861	347,876	-
20%	6,671	149,838	3,499	411,392	-	25,907	597,307	119,461
50%	-	877,680	36,565	130,322	-	50	1,044,617	522,308
100%	-	-	13,710	351,856	222,713	273,462	861,741	861,741
Total	324,221	1,027,518	53,774	893,618	223,130	329,280	2,851,541	1,503,510
Deduction from capital base	-	-	-	-	-	3,081	3,081	-
Average risk weight								52.7%
At 31 July 2009								
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
Total	263,902	735,496	50,629	672,716	-	579,136	2,301,879	1,217,671
Deduction from capital base	-	-	-	-	-	3,081	3,081	-
Average risk weight								52.9%

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A26 Capital Adequacy (cont'd)

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

	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount* RM'000	Risk- weighted amount RM'000
At 31 July 2010				
Direct credit substitutes	20,000	-	20,000	4,000
Forward asset purchases	25,021	-	25,021	11,011
Commitments to extend credits with maturity of:				
- less than 1 year	393,794	-	2,172	434
- 1 year to less than 5 years	16,532	-	8,266	1,653
Foreign exchange related contracts:				
- less than 1 year	215,642	930	1,747	1,148
- 1 year to less than 5 years	280,697	278	21,858	9,404
Interest rate related contracts:				
- less than 1 year	1,715,000	764	1,169	538
- 1 year to less than 5 years	4,548,000	12,325	34,832	12,301
	7,214,686	14,297	115,065	40,489
At 31 July 2009				
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
	7,992,102	22,939	136,620	45,702

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

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A27 Interest Rate Risk

	Non-trading book						Sub-total RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000				
At 31 July 2010										
Assets										
Cash and short term funds	1,027,114	-	-	-	-	121,179	1,148,293	-	1,148,293	2.76
Deposit and placements with banks and other financial institutions	-	112,191	6,682	21,373	-	-	140,246	-	140,246	3.57
Securities held-for-trading	-	-	-	-	-	-	-	503,808	503,808	4.06
Securities AFS	64,941	126,228	113,007	92,537	-	73,468	470,181	-	470,181	3.86
Securities held-to-maturity	-	-	70,643	155,625	239,055	-	465,323	-	465,323	6.06
Loans, advances and financing:										
- performing	383,113	19,252	559	19,973	196,897	(9,251) *	610,543	-	610,543	9.78
- non-performing	-	-	-	-	-	966	966	-	966	-
Clients' and brokers' balances	1,140	-	-	-	-	204,854	205,994	-	205,994	8.00
Derivative assets	-	-	-	-	-	-	-	14,111	14,111	-
Other assets ⁽¹⁾	20,590	1,956	-	-	-	335,396	357,942	-	357,942	0.59
Total assets	1,496,898	259,627	190,891	289,508	435,952	726,612	3,399,488	517,919	3,917,407	
Liabilities										
Deposits from customers	562,097	16,693	8,263	118	-	2,290	589,461	-	589,461	2.86
Deposits and placements of banks and other financial institutions	1,185,446	244,751	101,337	-	-	469	1,532,003	-	1,532,003	2.82
Clients' and brokers' balances	48,607	-	-	-	-	161,258	209,865	-	209,865	2.61
Derivative liabilities	-	-	-	-	-	-	-	21,989	21,989	-
Other liabilities ⁽²⁾	220,001	2,191	-	-	-	108,830	331,022	-	331,022	2.64
Borrowings	227,500	30,000	150,000	-	-	-	407,500	-	407,500	4.17
Total liabilities	2,243,651	293,635	259,600	118	-	272,847	3,069,851	21,989	3,091,840	
Total equity	-	-	-	-	-	825,567	825,567	-	825,567	-
Total liabilities and equity	2,243,651	293,635	259,600	118	-	1,098,414	3,895,418	21,989	3,917,407	
On-balance sheet interest sensitivity gap	(746,753)	(34,008)	(68,709)	289,390	435,952	(371,802)	(495,930)	495,930	-	
Off-balance sheet interest sensitivity gap	(205,000)	(370,000)	(1,140,000)	(2,800,000)	-	-	(4,515,000)	-	(4,515,000)	
Total interest sensitivity gap	(951,753)	(404,008)	(1,208,709)	(2,510,610)	435,952	(371,802)	(5,010,930)	495,930	(4,515,000)	

⁽¹⁾ 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 are stated net of specific allowance and interest-in-suspense. Other assets are stated net of specific allowance.

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

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

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2010

A27 Interest Rate Risk (cont'd)

	Non-trading book						Sub-total RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000				
At 31 July 2009										
Assets										
Cash and short term funds	702,395	-	-	-	-	144,820	847,215	-	847,215	1.90
Deposit and placements with banks 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 ⁽¹⁾	6,508	1,924	-	-	-	290,229	298,661	-	298,661	0.93
Total assets	1,016,269	84,117	10,490	201,949	575,742	851,780	2,740,347	448,167	3,188,514	
Liabilities										
Deposits from customers	481,702	22,255	1,403	-	-	11	505,371	-	505,371	2.16
Deposits and placements of banks and 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 ⁽²⁾	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
Total liabilities	1,487,327	203,518	248,264	14,370	-	401,068	2,354,547	49,284	2,403,831	
Total equity	-	-	-	-	-	784,683	784,683	-	784,683	-
Total liabilities and equity	1,487,327	203,518	248,264	14,370	-	1,185,751	3,139,230	49,284	3,188,514	
On-balance sheet interest sensitivity gap	(471,058)	(119,401)	(237,774)	187,579	575,742	(333,971)	(398,883)	398,883	-	
Off-balance sheet interest sensitivity gap	(255,000)	(125,000)	(613,000)	(4,315,000)	-	-	(5,308,000)	-	(5,308,000)	
Total interest sensitivity gap	(726,058)	(244,401)	(850,774)	(4,127,421)	575,742	(333,971)	(5,706,883)	398,883	(5,308,000)	

⁽¹⁾ 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 and Clients' and brokers' balances are stated net of specific and general allowances and interest-in-suspense. Other assets are stated net of specific allowance.

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

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

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A28 Segmental Information

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 products or 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 was presented in accordance with FRS 14²⁰⁰⁴, Segment Reporting. The comparative segmental information has been restated to conform to the requirements of FRS 8 and the current financial year's presentation.

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 market 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

The segmental information are as follows:

	Stock- broking RM'000	Investment banking RM'000	Commercial banking RM'000	Investment manage- ment RM'000	Money- lending RM'000	Others RM'000	Inter- segment elimination RM'000	Group RM'000
12 months ended 31 July 2010								
Revenue								
External revenue *	113,386	106,119	3,492	56,783	58,021	9,141	-	346,942
Inter-segment revenue	-	1,701	-	41	-	33,139	(34,881)	-
Total revenue	113,386	107,820	3,492	56,824	58,021	42,280	(34,881)	346,942
Net interest income/(expense)	17,953	37,600	1,568	461	45,933	(7,144)	-	96,371
Other operating income	96,511	7,883	185	57,740	6,703	43,001	(32,536)	179,487
	114,464	45,483	1,753	58,201	52,636	35,857	(32,536)	275,858
Other operating expense	(90,158)	(15,835)	(4,092)	(47,404)	(9,074)	(18,340)	7,513	(177,390)
	24,306	29,648	(2,339)	10,797	43,562	17,517	(25,023)	98,468
Allowance for losses on loans, advances and financing	(2,638)	(3,098)	(129)	-	(4,931)	-	(38)	(10,834)
Allowance for bad and doubtful debts on clients' balances and receivables	(339)	(126)	-	-	-	(23)	23	(465)
Impairment loss	-	-	-	-	(650)	-	-	(650)
Segment profit/(loss)	21,329	26,424	(2,468)	10,797	37,981	17,494	(25,038)	86,519
Share of results of an associate, net of tax								(777)
Profit before taxation								85,742
Segment assets	969,410	2,390,051	179,838	50,355	266,050	872,224	(813,805)	3,914,123
Investment in an associate								3,284
Total assets								3,917,407

* 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- broking RM'000	Investment banking RM'000	Commercial banking RM'000	Investment manage- ment RM'000	Money- lending RM'000	Others RM'000	Inter- segment elimination RM'000	Group RM'000
12 months ended 31 July 2009								
Revenue								
External revenue *	96,796	104,354	-	37,914	45,640	11,094	-	295,798
Inter-segment revenue	-	1,940	-	42	-	67,927	(69,909)	-
Total revenue	96,796	106,294	-	37,956	45,640	79,021	(69,909)	295,798
Net interest income/(expense)	20,063	26,308	(8)	679	31,380	(4,983)	-	73,439
Other operating income	89,923	(12,367)	-	38,819	5,830	73,414	(69,705)	125,914
Other operating expense	109,986	13,941	(8)	39,498	37,210	68,431	(69,705)	199,353
	(83,110)	(15,535)	(1,421)	(31,347)	(7,409)	(17,830)	6,568	(150,084)
	26,876	(1,594)	(1,429)	8,151	29,801	50,601	(63,137)	49,269
Write back of allowance/(allowance) for losses on loans, advances and financing	686	(3,847)	-	-	329	-	-	(2,832)
Write back of allowance/(allowance) for bad and doubtful debts on clients' balances and receivables	285	(325)	-	-	-	(22)	22	(40)
Impairment loss	-	-	-	-	-	(11)	11	-
Segment profit/(loss)	27,847	(5,766)	(1,429)	8,151	30,130	50,568	(63,104)	46,397
Share of results of an associate, net of tax								(877)
Share of results of jointly controlled entities, net of tax								(2)
Profit before taxation								45,518
Segment assets	996,692	1,718,268	93,393	41,528	232,396	820,632	(718,456)	3,184,453
Investment in an associate								4,061
Total assets								3,188,514

* 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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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2010

A29 Valuation of Property, Plant and Equipment

Not applicable.

A30 Subsequent Events

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

- (a) On 2 August 2010, the Securities and Exchange Commission of Cambodia ("SECC") granted an approval-in-principle to HwangDBS Securities (Cambodia) Plc ("HDBSSC") to act as an Investment Advisory firm. The application submitted to SECC was for a securities firm licence to undertake stockbroking, corporate finance, underwriting and investment advisory activities. With an investment advisory firm licence, HDBSSC is permitted to render advice to investors on investment in securities for a fee and publication of investment analysis on securities investment. The Board of HDBSSC has decided not to accept the approval-in-principle licence due to the limited activities permitted.
- (b) On 27 September 2010, the National Bank of Cambodia ("NBC") has approved the increase of the issued and paid-up share capital of HwangDBS Commercial Bank Plc ("HDCB") from USD30 million to USD37.5 million for the purpose of meeting the minimum capital requirement as prescribed by the NBC. The increase will be effected via the issuance of an additional 7.5 million ordinary shares of USD1 each by HDCB to the Company. At the date of this announcement, the allotment of the 7.5 million ordinary shares of USD1 each to the Company at par for cash is subject to approval by the Ministry of Commerce, Cambodia.

A31 Changes in the Composition of the Group

There are no changes in the composition of the Group for the current quarter and financial year ended 31 July 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 and investment advisory activities in Cambodia, subject to approval of a securities firm licence to be issued by the Securities and Exchange Commission of Cambodia to HDBSSC. 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 par value of Riels 4,000 equivalent to USD1 each.
- (b) on 23 June 2010, 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 been struck off the register of the Companies Commission of Malaysia and dissolved pursuant to Section 308(2) of the Companies Act, 1965. CNA and CNT have ceased to be subsidiaries of the Company with effect from the same date.

A32 Changes in Contingent Liabilities or Contingent Assets

Please refer to explanatory note A24.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2010

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

Despite the challenges and stiff competition coupled with a more liberalised operating environment, the Group recorded a 17% increase in revenue from RM295.8 million in previous financial year to RM346.9 million for the financial year ended 31 July 2010 ("FY2010").

Net interest income and other operating income increased by 31% and 43% to RM96.4 million and RM179.5 million respectively, partially offset by a higher loan loss provisioning. The substantially higher net interest income recorded during the financial year was in line with increase in the lending and money market activities coupled with improved spreads. The Group's consumer financing business has recorded a commendable growth contributing to a 46% increase in net interest income of the moneylending segment in FY2010. The increase in other operating income is mainly driven by higher net realised gain from sale of securities, higher brokerage income and fee income from the fund and asset management activities, coupled with significantly lower marked-to-market losses as well as lower trading losses from its derivatives portfolio. Bursa value traded for FY2010 increased by 26% to RM331.44 billion compared to RM263.36 billion in FY2009, resulting in higher brokerage income achieved during the financial year against a backdrop of finer margins and increasing competition.

Consequently, the Group recorded a profit before tax of RM85.7 million in the current financial year, up by 88% compared to RM45.5 million in the last financial year. The increase in profit is translated into a higher earnings per share for the Group of 23.86 sen with an increase in return on equity to 7.9%. The Group's financial health remains strong with net asset value increased to RM809.8 million as at 31 July 2010. The Group's net NPL ratio remained stable at 0.2%.

For the fourth quarter ended 31 July 2010, the Group posted a lower pre-tax profit of RM16.0 million as compared to RM22.0 million in the corresponding quarter of FY2009. The reduction in profit in the current quarter is mainly attributable to lower brokerage income, partially offset by higher net interest income and reduction in personnel costs.

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

The Group registered a lower pre-tax profit of RM16.0 million in the fourth quarter ended 31 July 2010 compared to RM22.2 million in the immediate preceding quarter as a result of higher allowances for bad and doubtful debts made in the current quarter under review, coupled with marked-to-market loss on its securities portfolio and reduction in brokerage income, in line with the quieter market sentiments. These were, however, partially offset by higher fee income from the fund and asset management activities and marked-to-market gain on derivatives for the current quarter.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2010

B3 Commentary

(a) Current Year's Prospects

The Malaysian economy remained resilient and has stabilised with the Gross Domestic Product ("GDP") projected to grow to 6.8% in the fiscal year 2010. With the anticipated broad-based recovery in the Malaysian economy and improved consumer and business sentiments, the capital and equity market activities are expected to pick up as more companies seek to raise funds via initial public offerings and rights issues. The investment banking industry is expected to remain competitive and the division will proactively continue to focus on working with its core and target clients to tap into these opportunities as well as introducing innovative financial products and develop its cross border activities by leveraging on the expertise and network of the Group's strategic shareholder.

The Group's equity business operates in a highly competitive and liberalised environment. Its performance is vulnerable to external developments and is highly correlated to the activities in the local bourse. Amidst the competitive and volatile landscape, the Group will strive to enhance its market position in the stockbroking industry.

The growth momentum of the Group's conventional and Islamic fund and asset management activities as well as its share financing and moneylending businesses are proceeding as planned. The Group is also developing the banking network of its overseas commercial banking business by targeting to open additional branches to tap into the vast clientele base.

The Group will continue to adopt prudent risk management and business strategies to meet the challenges ahead as well as enhancing its system infrastructures and developing its human capital.

The Board of Directors is confident that the Group is well positioned to exploit the opportunities in the financial markets and is expected to achieve satisfactory performance for the financial year ending 31 July 2011.

(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 YEAR ENDED 31 JULY 2010

B6 Taxation

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

	Individual Quarter		Cumulative Quarter	
	3 months ended	3 months ended	12 months ended	12 months ended
	31-Jul-10	31-Jul-09	31-Jul-10	31-Jul-09
	RM'000	RM'000	RM'000	RM'000
In respect of the current financial year:				
Malaysian income tax	(5,418)	(6,958)	(31,332)	(14,702)
Foreign income tax	(8)	-	(35)	-
Deferred tax	1,323	849	7,998	1,578
	<u>(4,103)</u>	<u>(6,109)</u>	<u>(23,369)</u>	<u>(13,124)</u>
In respect of prior financial years:				
Malaysian income tax	(1)	1,465	4,765	2,179
Tax credit	1,911	-	1,911	-
Deferred tax	7	1	(4,615)	(209)
	<u>1,917</u>	<u>1,466</u>	<u>2,061</u>	<u>1,970</u>
	<u>(2,186)</u>	<u>(4,643)</u>	<u>(21,308)</u>	<u>(11,154)</u>

The effective tax rate for the current quarter and financial year ended 31 July 2010 is lower than the statutory tax rate mainly due to recognition of tax credit during the current quarter and capital gains which is not subject to tax, partially offset by certain expenses which are not deductible for tax purposes.

As at the balance sheet date, the tax credit based on 50% of the tax losses of Taiping Recovery Sdn. Bhd. (In Liquidation) ("TRSB"), of which its stockbroking business was acquired by the investment banking subsidiary, HDBSIB under the Securities Commission's Policy Framework for Consolidation of the Stockbroking Industry, has been approved by the Ministry of Finance Malaysia and the Inland Revenue Board. The resultant tax credit amounting to RM13.5 million is included in tax recoverable of the Group. In accordance with the Business Merger Agreement dated 10 August 2000 between TRSB and HDBSIB, 80% of the resultant tax credit after netting off the initial portion of tax credit paid by HDBSIB of RM4.0 million, amounting to RM7.6 million is payable to TRSB. The balance accruing to HDBSIB amounting to RM1.9 million has been recognised in the financial statements of the Group for the financial year.

B7 Sale of Unquoted Investments and/or Properties

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

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B8 Purchase and Sales of Quoted Securities

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

	Current quarter ended 31-Jul-10 RM'000	Financial year ended 31-Jul-10 RM'000
(i) Total Purchase Consideration	<u>3,374</u>	<u>15,029</u>
(ii) Total Sales Proceeds	<u>2,922</u>	<u>14,153</u>
(iii) Total Profit on Disposal	<u>233</u>	<u>2,100</u>

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

	RM'000
(i) At Cost	<u>15,970</u>
(ii) At Book Value	<u>17,125</u>
(iii) At Market Value	<u>17,125</u>

B9 Status of Corporate Proposals

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

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 YEAR ENDED 31 JULY 2010

B11 Disclosure of Derivatives

The derivatives held by the Group as at the balance sheet date represented the resultant outstanding positions arising from proprietary and client-related treasury activities undertaken by the investment banking subsidiary in its ordinary course of business. The derivatives were entered into by the investment banking subsidiary in the previous financial years and current financial year primarily to hedge against its interest rate and foreign exchange risk exposures as well as for funding of the investment banking activities.

As at the balance sheet date, the principal amount and fair value of derivatives held by the Group classified by the remaining periods to maturity are as follows:

Type of Derivatives	Margin requirement RM'000	1 year or less RM'000	> 1 to 3 years RM'000	> 3 years RM'000	Total RM'000
(a) Principal amount					
Foreign exchange related contracts					
- currency forwards	-	113,546	-	-	113,546
- currency swaps	-	102,096	-	-	102,096
- cross currency interest rate swap	-	-	280,697	-	280,697
Interest rate related contracts					
- futures contracts	3,198	1,505,000	3,275,000	105,000	4,885,000
- interest rate swaps	-	210,000	1,020,000	148,000	1,378,000
	3,198	1,930,642	4,575,697	253,000	6,759,339

(b) Fair value					
Foreign exchange related contracts					
- currency forwards		(149)	-	-	(149)
- currency swaps		319	-	-	319
- cross currency interest rate swap		-	(4,961)	-	(4,961)
Interest rate related contracts					
- futures contracts		(7,798)	(15,351)	98	(23,051)
- interest rate swaps		123	(729)	(2,481)	(3,087)
		(7,505)	(21,041)	(2,383)	(30,929)

Credit risk

Foreign exchange and interest rate related derivative contracts are subject to credit risk, which refers to the potential risk of financial loss arising from defaults by counterparties in meeting their obligations. The credit control unit of the investment banking subsidiary reviews exposures to individual customers and counterparties as well as concentration of credit risk on an on-going basis.

As at the balance sheet date, the amount of credit risk of the Group, measured in terms of the cost to replace profitable contracts is RM14.3 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 market interest rates and foreign exchange rates underlying derivative contracts. The investment banking subsidiary adopts a Value-at-Risk ("VaR") methodology using a parametric (variance-covariance) approach for its interest rate and foreign exchange exposures. To complement the VaR framework, sensitivity measures such as present-value basis point ("PVBP") is used to assist in risk control limit setting.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2010

B11 Disclosure of Derivatives (cont'd)

Market risk (cont'd)

The contractual amounts of derivatives as at the balance sheet date only provide a measure of the Group's involvement in the respective type of derivatives and do not represent the amount subject to risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the balance sheet date, the net exposure of the Group to interest rate risk and foreign currency risk, which were not hedged amounted to RM459.4 million (At 31 July 2009: RM366.8 million) and RM71.6 million (At 31 July 2009: RM22.4 million) respectively.

Liquidity risk

Liquidity risk is defined as the risk of the Group encountering difficulties in fulfilling its current or future payment obligations in full at the maturity date of derivatives. The investment banking subsidiary's liquidity risk management is principally guided by the New Liquidity Framework ("NLF") prescribed by Bank Negara Malaysia. The key quantitative tools and techniques used by the investment banking subsidiary to manage and monitor liquidity risk include maturity mismatch analysis which involves monitoring of financial assets and liabilities, including derivatives over successive time bands and across functional currencies.

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.

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 High Court has dismissed the client's claim against HDBSIB and allowed HDBSIB's claim against the client on 23 March 2010. The client has filed an appeal against the High Court's decision in dismissing the client's claim against HDBSIB and in allowing HDBSIB's claim against the client. The Court has yet to fix a hearing date for the client's appeal.
- (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 filed an appeal on 21 September 2010 after the Court had dismissed the client's claim on 14 September 2010.

B13 Dividends

Please refer to explanatory note A7.

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2010

B14 Earnings Per Share Attributable to Equity Holders of the Company

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jul-10	3 months ended 31-Jul-09	12 months ended 31-Jul-10	12 months ended 31-Jul-09
Profit for the financial year attributable to equity holders of the Company (RM'000)	<u>12,762</u>	<u>16,441</u>	<u>60,874</u>	<u>31,290</u>
Weighted average number of ordinary shares in issue ('000)	<u>255,161</u>	<u>255,169</u>	<u>255,164</u>	<u>255,174</u>
Basic earnings per share (sen)	<u>5.00</u>	<u>6.44</u>	<u>23.86</u>	<u>12.26</u>

By Order of the Board

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

**Penang
29 September 2010**