

HLG Capital Berhad

Condensed Consolidated Income Statements

For the financial quarter ended 30 September 2008

	Financial quarter ended	
	30-Sep-08 RM'000	30-Sep-07 RM'000
Operating revenue	20,558	46,995
Other operating income	1,141	661
	21,699	47,656
Personnel costs	(4,989)	(5,168)
Other operating expenses	(13,575)	(28,102)
Profit from operations	3,135	14,386
Finance cost	(305)	(240)
Profit before taxation	2,830	14,146
Taxation	183	(3,933)
Net profit for the financial period	3,013	10,213
Earnings per share (sen)		
Basic	2.48	8.38
Fully diluted	2.48	8.38

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 30 June 2008 and the accompanying explanatory notes attached to the interim financial statements.

HLG Capital Berhad
Condensed Consolidated Balance Sheet
As at 30 September 2008

	As at current financial quarter 30 September 2008 RM'000	As at preceding financial year ended 30 June 2008 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property and equipment	3,385	3,616
Other investments	2,445	2,445
Intangible assets	5,314	5,257
Deferred tax assets	1,330	1,330
	12,474	12,648
CURRENT ASSETS		
Trade receivables	118,832	111,300
Other receivables	24,402	79,927
Manager's stocks and promotional items	15,240	9,274
Marketable securities	26,255	7,034
Short term funds	251,749	252,989
	436,478	460,524
TOTAL ASSETS	448,952	473,172
EQUITY AND LIABILITIES		
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		
Share capital	123,448	123,448
Shares held by ESOS Trust	(3,969)	(3,568)
Reserves	53,890	50,877
Shareholders' equity	173,369	170,757
NON-CURRENT LIABILITIES		
Provision for retirement benefits	1,016	1,011
	1,016	1,011
CURRENT LIABILITIES		
Short term borrowings	6,000	24,600
Trust accounts	87,693	94,746
Trade payables	162,074	163,959
Other payables	18,347	17,763
Taxation	453	336
	274,567	301,404
Total liabilities	275,583	302,415
TOTAL EQUITY AND LIABILITIES	448,952	473,172
Net assets per share attributable to ordinary equity holders of the parent (sen)*	145 sen	143 sen

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 30 June 2008 and the accompanying explanatory notes attached to the interim financial statements.

* Net assets per share attributable to ordinary equity holders of the parent (RM) is computed as Total Shareholders' Funds (excluding Minority Interest) divided by total number of ordinary shares in circulation.

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Condensed Consolidated Statement of Changes in Equity For the financial quarter ended 30 September 2008

	Share capital RM'000	Shares held by ESOS Trust RM'000	General reserve RM'000	Retained earnings RM'000	Total RM'000
As at 1 July 2008	123,448	(3,568)	543	50,334	170,757
Net profit for the financial period	-	-	-	3,013	3,013
Purchase during the year	-	(401)	-	-	(401)
As at 30 September 2008	123,448	(3,969)	543	53,347	173,369
As at 1 July 2007	123,448	(3,081)	543	27,569	148,479
Net profit for the financial period	-	-	-	10,213	10,213
Purchase during the year	-	(27)	-	-	(27)
As at 30 September 2007	123,448	(3,108)	543	37,782	158,665

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 30 June 2008 and the accompanying explanatory notes attached to the interim financial statements.

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Condensed Consolidated Cash Flow Statement

For the financial quarter ended 30 September 2008

	Financial quarter ended	
	30-Sep-08 RM'000	30-Sep-07 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,830	14,146
Adjustments for non-cash items	479	(1,432)
Operating profit before working capital changes	3,309	12,714
Net decrease in working capital	57,512	6,003
Cash generated from/(used in) operations	60,821	18,717
Tax paid	(792)	(2,791)
Tax refund	1,153	-
Interest paid	(283)	(202)
Net other operating income	996	542
Net cash generated from operating activities	61,895	16,266
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in property, equipment and investments	(20,230)	(376)
Net cash used in investing activities	(20,230)	(376)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of short term borrowings	(18,600)	(14,700)
Purchase of shares held by ESOS Trust	(401)	(27)
Net cash used in financing activities	(19,001)	(14,727)
NET INCREASE IN CASH AND CASH EQUIVALENTS	22,664	1,163
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	113,036	94,275
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	135,700	95,438
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Short term funds	251,749	204,481
Less: Monies held in trust	(116,049)	(109,043)
	135,700	95,438

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 30 June 2008 and the accompanying explanatory notes attached to the interim financial statements.

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 30 September 2008

Notes to the interim financial statements pursuant to
the Financial Reporting Standard (“FRS”) 134

1. Basis of preparation

The interim financial statements (“Report”) are unaudited and have been prepared in accordance with FRS 134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements of HLG Capital Berhad (“Company”) Group (“the Group”) should be read in conjunction with the audited financial statements for the financial year ended 30 June 2008. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2008.

The accounting policies and presentation adopted for this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2008.

2. Status of matters giving rise to the auditors’ qualified report in the audited financial statements for the financial year ended 30 June 2008

The auditors did not qualify the financial statements for the financial year ended 30 June 2008.

3. Seasonality or cyclicity of operations

The operations of the Group were not affected by any seasonal or cyclical factors.

4. Exceptional items / unusual events

There were no exceptional items or unusual events affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial quarter ended 30 September 2008.

5. Variation from financial estimates reported in preceding financial period/year

There were no significant changes in financial estimates in the financial quarter ended 30 September 2008.

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6. Issuance and repayment of debt and equity securities

There are no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the financial quarter ended 30 September 2008 except for the following:

- a) The Company had, on 8 November 2005, announced that the shareholders of the Company had approved the establishment of an Executive Share Option Scheme ("Scheme") of up to 15% of the issued and paid-up ordinary share capital of the Company.

Approval from Bursa Malaysia Securities Berhad for the listing of and quotation of the new ordinary shares of the Company to be issued pursuant to the exercise of options under the Scheme was obtained on 17 January 2006. The scheme was established on 23 January 2006 under a trust for employee ("ESOS Trust").

- b) The ESOS Trust is administered by an appointed trustee. The trustee will be entitled from time to time to accept financial assistance from the Company upon such terms and conditions as the Company and the trustee may agree to purchase shares in the Company from the open market for the purpose of this trust. The shares purchased for the benefit of the ESOS holders are recorded as "Shares held by ESOS Trust" in the Group and the Company's Balance Sheet as deduction in arriving at the shareholders' equity. Total shares held by ESOS Trust comprise 3,939,100 shares in the Company costing RM3,968,614 inclusive of transaction costs, as at 30 September 2008.

The ESOS options have not been granted as at end of the financial period.

7. Dividends paid

There was no dividend paid during the financial quarter ended 30 September 2008.

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8. Segmental reporting

(a) Segment information by activities for the financial year ended 30 September 2008

	Stock- broking and related activities	Fund management and unit trust management	Corporate advisory services	Futures	Investment holding and others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30 September 2008							
REVENUE & EXPENSES							
Revenue							
Operating revenue	6,222	16,338	-	347	-	(2,349)	20,558
Results							
Profit / (loss) from operations	54	3,064	-	228	(213)	2	3,135
Finance cost							(305)
Taxation							183
Profit after taxation							3,013
30 September 2007							
REVENUE & EXPENSES							
Revenue							
Operating revenue	21,068	28,243	45	164	-	(2,525)	46,995
Results							
Profit / (loss) from operations	11,424	3,163	26	(1)	(229)	3	14,386
Finance cost							(240)
Taxation							(3,933)
Profit after taxation							10,213

(b) Segment information by geographical areas has not been disclosed as the Group operates principally in Malaysia.

9. Property, plant and equipment

The valuations of property, plant and equipment have been brought forward without amendment from the financial statements for the financial period ended 30 September 2008.

10. Events after Balance Sheet date

There were no material events subsequent to the balance sheet date to be disclosed.

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for the financial quarter ended 30 September 2008

11. Changes in composition of the Group

There were no changes in the composition of the Group during the financial quarter ended 30 September 2008.

12. Capital Commitments

There were no capital commitments for the purchase of property, plant and equipment as at 30 September 2008.

13. Changes in Contingent liabilities

Details of contingent liabilities since the last audited balance sheet date are as follows:

- (a) HLG Unit Trust Bhd, a wholly-owned subsidiary of the Company, is the Manager of HLG Sectoral Fund ("Funds"), which comprises five sector funds. The Company provided a guarantee to Universal Trustee (Malaysia) Berhad, the trustee of the Funds, that if any of the five sector funds falls below the minimum fund size of RM1 million, the Company would invest cash, equivalent to the shortfall, into the relevant fund.

The size of each of the five funds was above the minimum of RM1 million as at 30 September 2008.

14. Related party transactions

All related party transactions had been entered into in the ordinary course of business that had been undertaken at arms' length basis on normal commercial terms. These transactions are within the ambit of the approval granted under the Shareholders' Mandate for recurrent related party transactions obtained at a general meeting.

HLG Capital Berhad
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Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

15. Performance review

(a) Current financial quarter under review against previous corresponding financial quarter

For the financial quarter ended 30 September 2008, the Group registered a lower profit before taxation of RM2.8 million compared to a profit before taxation of RM14.1 million in the previous corresponding financial quarter. This mainly due to lower contribution from stockbroking business which was affected by lower Bursa Malaysia trading volume.

(b) Performance of current financial quarter under review against preceding financial quarter

For the current financial quarter ended 30 September 2008, the Group recorded a lower profit before taxation of RM2.8 million compared to a profit before taxation of RM6.9 million in the preceding financial quarter.

The lower profit before taxation for the current financial quarter under review was mainly due to lower operating revenue from the stockbroking business.

16. Prospects for the current financial year

Barring any unforeseen circumstances, the Directors are of the opinion that the Group will perform satisfactorily in the current financial year.

17. Variance in profit forecast and shortfall in profit guarantee

The Group had not entered into any scheme that requires it to present forecast results or guarantee any profits.

18. Taxation

	Financial quarter ended		Financial year to date	
	30.09.08 RM'000	30.09.07 RM'000	30.09.08 RM'000	30.09.07 RM'000
Tax expense/(income) on Malaysian tax				
– Current	771	3,781	771	3,781
– Prior year	(954)	152	(954)	152
	(183)	3,933	(183)	3,933

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19. Sale of properties / unquoted investments

There were no sales of properties for the current financial quarter under review.

There were no sales of unquoted investments for the current financial quarter under review.

20. Purchase / disposal of quoted securities of the Group

There were no purchases or disposals of quoted investments by the Group for the financial quarter under review other than those transacted by the stockbroking subsidiary in the ordinary course of business.

21. Status of corporate proposal

On 19 October 2007, the Group announced that the Company together with HLG Credit Sdn Bhd ("HLG Credit"), SBB Capital Markets Sdn Bhd and CIMB Bank Bhd had entered into a conditional Share Sale Agreement for HLG Credit to acquire the entire equity interest in SBB Securities Sdn Bhd ("SBBS") for an indicative purchase consideration to be satisfied in cash based on net tangible assets of SBBS group of companies plus a premium.

On the same date, the Group submitted an application to Bank Negara Malaysia/Minister of Finance in relation to the proposed acquisition of businesses of Southern Investment Bank Bhd ("SIBB"), in particular, identified assets and liabilities of SIBB ("SIBB Assets & Liabilities") for a total cash consideration to be determined based on net book value of SIBB Assets & Liabilities as at the date immediately preceding the vesting date and premium.

On 14 May 2008, the above proposals were approved by Minister of Finance and approval-in-principle for HLG Credit to be granted an investment bank status.

On 13 June 2008, the Group announced that HLG Credit together with HLG Capital Bhd entered into a conditional agreement with SIBB and CIMB Bank Bhd in respect of the abovementioned proposed acquisition of SIBB Assets & Liabilities.

The abovesaid proposed acquisitions which were tabled at the Extraordinary General Meeting of HLG Capital Bhd held on 9 July 2008, were approved by the shareholders.

The proposed acquisition of SBBS was completed on 22 October 2008.

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22. Group borrowings

The short term borrowings of the Group are unsecured and denominated in Ringgit Malaysia.

23. Off-balance sheet financial instruments

There were no contracts involving off balance sheet financial instruments that will significantly affect the risk or performance of the Group as at the date of issue of the Report.

24. Material litigation

The Company and HLG Securities Sdn Bhd ("HLG Securities") had been named as defendants in a Writ of Summons dated 21 March 2002 filed by Borneo Securities Holdings Sdn Bhd ("BSH") and served on HLG Securities on 15 April 2002.

BSH alleged that HLG Securities breached the terms of the sale and purchase agreement dated 31 October 2000 ("SPA") between HLG Securities and BSH for HLG Securities' proposed acquisition of 100% equity interest in Borneo Securities Sdn Bhd for a total purchase consideration of RM88 million. The Company is of the view that the suit is baseless as the motion for the proposed acquisition was not approved by shareholders at the Extraordinary General Meeting of the Company held on 24 October 2001 and accordingly, the SPA was terminated.

25. Dividends

The Board of Directors do not recommended any dividend to be paid for the financial quarter ended 30 September 2008.

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26. Earnings per share ("EPS")

(a) Basic earnings per share

The basic earnings per share is calculated by dividing the net profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the financial period.

	Financial quarter ended		Financial year to date	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
Net profit attributable to shareholders of the Company (RM'000):	3,013	10,213	3,013	10,213
Weighted average number of Ordinary Shares in issue ('000):	121,263	121,833	121,263	121,833
Basic earnings per share (Sen)	2.48	8.38	2.48	8.38

(b) Fully diluted earnings per share

There were no dilutive elements to the share capital and hence EPS (fully diluted) was the same.