

**HLG Capital Berhad**  
**Condensed Consolidated Income Statements**  
**For the financial quarter ended 31 December 2008**

	Financial quarter ended		Financial year to date	
	31-Dec-08 RM'000	31-Dec-07 RM'000	31-Dec-08 RM'000	31-Dec-07 RM'000
Operating revenue	17,633	25,510	38,190	72,505
Other operating income	1,338	658	2,480	1,319
Personnel costs	18,971	26,168	40,670	73,824
Other operating expenses	(6,127)	(5,845)	(11,116)	(11,014)
Profit from operations	(11,853)	(13,614)	(25,427)	(41,716)
Finance cost	991	6,709	4,127	21,094
Profit before taxation	(952)	(91)	(1,257)	(331)
Taxation	39	6,618	2,870	20,763
Net profit/(loss) for the financial period	(547)	(1,894)	(365)	(5,826)
	(508)	4,724	2,505	14,937
Earnings/(Loss) per share (sen)				
Basic	(0.42)	3.88	2.07	12.28
Fully diluted	(0.42)	3.88	2.07	12.28

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 31 December 2008**

	As at current financial quarter 31 December 2008 RM'000	As at preceding financial year ended 30 June 2008 RM'000
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property and equipment	5,900	3,616
Other investments	2,445	2,445
Intangible assets	26,571	5,257
Deferred tax assets	1,254	1,330
	36,170	12,648
<b>CURRENT ASSETS</b>		
Trade receivables	114,825	111,300
Other receivables	29,081	79,927
Manager's stocks and promotional items	1,164	9,274
Marketable securities	25,215	7,034
Short term funds	284,179	252,989
	454,464	460,524
<b>TOTAL ASSETS</b>	490,634	473,172
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>		
Share capital	123,448	123,448
Shares held by ESOS Trust	(3,969)	(3,568)
Reserves	46,659	50,877
Shareholders' equity	166,138	170,757
<b>NON-CURRENT LIABILITIES</b>		
Provision for retirement benefits	1,020	1,011
	1,020	1,011
<b>CURRENT LIABILITIES</b>		
Short term borrowings	109,900	24,600
Trust accounts	90,724	94,746
Trade payables	104,425	163,959
Other payables	17,888	17,763
Taxation	539	336
	323,476	301,404
Total liabilities	324,496	302,415
<b>TOTAL EQUITY AND LIABILITIES</b>	490,634	473,172
Net assets per share attributable to ordinary equity holders of the parent (sen)*	139 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.

## HLG Capital Berhad

### Condensed Consolidated Statement of Changes in Equity For the financial quarter ended 31 December 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	-	-	-	2,505	2,505
Dividend Paid	-	-	-	(6,723)	(6,723)
Purchase during the year	-	(401)	-	-	(401)
<b>As at 31 December 2008</b>	<b>123,448</b>	<b>(3,969)</b>	<b>543</b>	<b>46,116</b>	<b>166,138</b>
As at 1 July 2007	123,448	(3,081)	543	27,569	148,479
Net profit for the financial period	-	-	-	14,937	14,937
Dividend Paid	-	-	-	(4,357)	(4,357)
Purchase during the year	-	(27)	-	-	(27)
<b>As at 31 December 2007</b>	<b>123,448</b>	<b>(3,108)</b>	<b>543</b>	<b>38,149</b>	<b>159,032</b>

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 Cash Flow Statement**  
**For the financial quarter ended 31 December 2008**

	Financial quarter ended		Financial year to date	
	31-Dec-08 RM'000	31-Dec-07 RM'000	31-Dec-08 RM'000	31-Dec-07 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	39	6,618	2,870	20,763
Adjustments for non-cash items	1,187	69	1,666	(1,364)
Operating profit before working capital changes	1,226	6,687	4,536	19,399
Net decrease/(increase) in working capital	(39,657)	1,341	17,856	7,347
Cash generated from/(used in) operations	(38,431)	8,028	22,392	26,746
Tax paid	(462)	(2,133)	(1,255)	(4,924)
Tax refund	-	-	1,153	-
Interest paid	(919)	(67)	(1,202)	(269)
Net other operating income	1,239	505	2,235	1,047
Net cash generated from/(used in) operating activities	(38,573)	6,333	23,323	22,600
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Net cash outflow on acquisition of subsidiary	(51,217)	-	(51,217)	-
Net investment in property, equipment and investments	(671)	(864)	(20,902)	(1,241)
Net cash generated from/(used in) investing activities	(51,888)	(864)	(72,119)	(1,241)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Dividend paid	(6,723)	(4,357)	(6,723)	(4,357)
(Drawdown)/Repayment of short term borrowings	103,900	4,600	85,300	(10,100)
Purchase of shares held by ESOS Trust	-	-	(401)	(27)
Net cash generated from/(used in) financing activities	97,177	243	78,176	(14,484)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	6,716	5,712	29,380	6,875
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD</b>	135,700	95,438	113,036	94,275
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD</b>	142,416	101,150	142,416	101,150
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>				
Short term funds	284,179	190,160	284,179	190,160
Less: Monies held in trust	(141,763)	(89,010)	(141,763)	(89,010)
	142,416	101,150	142,416	101,150

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.

**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 31 December 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 31 December 2008.

# HLG Capital Berhad

Notes to the interim financial statements  
for the financial year ended 31 December 2008

## 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 31 December 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 31 December 2008.

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

## 7. Dividends paid

There was a final dividend of 7.5 sen per share less 25% taxation for the financial year ended 30 June 2008 paid on 19 November 2008 during the financial quarter ended 31 December 2008.

# HLG Capital Berhad

Notes to the interim financial statements  
for the financial year ended 31 December 2008

## 8. Segmental reporting

(a) Segment information by activities for the financial year ended 31 December 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
<b>31 December 2008</b>							
<b>REVENUE &amp; EXPENSES</b>							
<b>Revenue</b>							
Operating revenue	13,388	28,541	-	628	-	(4,367)	38,190
<b>Results</b>							
Profit / (loss) from operations	(664)	4,884	-	290	(388)	5	4,127
Finance cost							(1,257)
Taxation							(365)
Profit after taxation							2,505
<b>31 December 2007</b>							
<b>REVENUE &amp; EXPENSES</b>							
<b>Revenue</b>							
Operating revenue	34,779	42,344	45	355	-	(5,018)	72,505
<b>Results</b>							
Profit / (loss) from operations	16,327	5,348	24	(111)	(395)	(99)	21,094
Finance cost							(331)
Taxation							(5,826)
Profit after taxation							14,937

(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 31 December 2008.

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Notes to the interim financial statements  
for the financial year ended 31 December 2008

## 10. Events after Balance Sheet date

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

## 11. Changes in composition of the Group

On 22 October 2008, Hong Leong Investment Bank Bhd ("HLIB") (formerly known as HLG Credit Bhd and HLG Credit Sdn Bhd) acquired entire equity interest in SBB Securities Sdn Bhd ("SBBS") comprising 90,000,000 ordinary shares of RM1 each for a provisional purchase consideration of RM75,176,596 and SBBS become a wholly-owned subsidiary of HLIB.

SBBS was incorporated in Malaysia under the Companies Act, 1965 with an authorised share capital of RM200,000,000 divided into 200,000,000 ordinary shares of RM1 each. SBBS HLGS is principally engaged in stock and securities broking.

## 12. Capital Commitments

There were no capital commitments for the purchase of property, plant and equipment as at 31 December 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 31 December 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.



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**Notes to the interim financial statements**  
**for the financial year ended 31 December 2008**

**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 31 December 2008, the Group managed to breakeven compared to a profit before taxation of RM6.6 million in the previous corresponding financial quarter. This mainly due to poor performance of stockbroking business which was affected by lower Bursa Malaysia Securities Berhad trading volume.

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

For the current financial quarter ended 31 December 2008, the Group managed to breakeven compared to a profit before taxation of RM2.8 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.

# HLG Capital Berhad

## Notes to the interim financial statements for the financial year ended 31 December 2008

### 18. Taxation

	Financial quarter ended		Financial year to date	
	31.12.08	31.12.07	31.12.08	31.12.07
	RM'000	RM'000	RM'000	RM'000
Tax expense/(income) on Malaysian tax				
- Current	547	1,894	1,319	5,674
- Prior year	-	-	(954)	152
	547	1,894	365	5,826

### 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 HLIB, SBB Capital Markets Sdn Bhd and CIMB Bank Bhd had entered into a conditional Share Sale Agreement for HLIB 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.

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

On 13 June 2008, the Group announced that HLIB 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.

**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 31 December 2008.

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**26. Earnings per share ("EPS")**

**(a) Basic earnings/(loss) per share**

The basic earnings/(loss) per share is calculated by dividing the net profit/(loss) 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	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Net profit/(loss) attributable to shareholders of the Company (RM'000):	(508)	4,724	2,505	14,937
Weighted average number of Ordinary Shares in issue ('000):	121,137	121,663	121,137	121,663
Basic earnings/(loss) per shares (Sen)	(0.42)	3.88	2.07	12.28

**(b) Fully diluted earnings per share**

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