

HLG Capital Berhad

Condensed Consolidated Balance Sheet

As at 30 September 2009

THE GROUP	Note	As at current financial period ended 30 September 2009 RM'000	As at preceding financial year ended 30 June 2009 RM'000
ASSETS			
Cash and short term funds		337,618	317,387
Deposits and placements with banks and other financial institutions		54	73
Securities held at fair value through profit or loss	8	6,815	6,443
Available-for-sale securities	9	180,195	2,445
Loans and advances	10	78,951	82,339
Clients' and brokers' balances	11	130,682	145,762
Other receivables		23,209	13,854
Statutory deposit with Bank Negara Malaysia		1,430	-
Tax recoverable		442	644
Deferred tax assets		56,553	58,455
Prepaid lease payments		1,132	1,132
Property and equipment		4,917	4,750
Goodwill arising on consolidation	12	32,823	32,823
Intangible assets		941	982
TOTAL ASSETS		855,762	667,089
LIABILITIES			
Deposit from customers	13	181,674	-
Deposits and placements of banks and other financial institutions	14	1,822	9,820
Clients' and brokers' balances		309,839	279,029
Payables and other liabilities		34,189	55,236
Borrowings		146,900	146,900
		674,424	490,985
EQUITY			
Share capital		123,448	123,448
Reserves		61,863	56,629
Treasury shares for ESOS scheme		(3,973)	(3,973)
Shareholders' equity		181,338	176,104
TOTAL LIABILITIES AND EQUITY		855,762	667,089
COMMITMENT AND CONTINGENCIES	20	327,331	327,475
Net assets per share attributable to ordinary equity holders of the parent (sen)*		152 sen	147 sen

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 30 June 2009 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 Income Statements

For the financial quarter ended 30 September 2009

THE GROUP	Note	Individual Quarter		Cumulative Quarter	
		Current quarter ended 30-Sep-09 RM'000	Last quarter ended 30-Sep-08 RM'000	Current year ended 30-Sep-09 RM'000	Last year ended 30-Sep-08 RM'000
Interest Income	15	3,337	1,971	3,337	1,971
Interest expense	16	(1,981)	(185)	(1,981)	(185)
Net interest income		1,356	1,786	1,356	1,786
Non Interest Income	17	18,397	10,657	18,397	10,657
Net Income		19,753	12,443	19,753	12,443
Other Operating Expenses	18	(12,203)	(9,510)	(12,203)	(9,510)
Operating profit before allowances		7,550	2,933	7,550	2,933
Write back of losses on loans and advances and other losses	19	60	(103)	60	(103)
Profit before taxation		7,610	2,830	7,610	2,830
Taxation		(2,246)	183	(2,246)	183
Net profit for the financial period		5,364	3,013	5,364	3,013
Earnings per share (sen)					
Basic		4.5	2.5	4.5	2.5
Fully diluted		4.5	2.5	4.5	2.5

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 30 June 2009 and the accompanying explanatory notes attached to the interim financial statements.

HLG Capital Berhad
Condensed Balance Sheet
As at 30 September 2009

THE COMPANY	Note	As at current financial period ended 30 Sep 2009 RM'000	As at preceding financial year ended 30 June 2009 RM'000
ASSETS			
Cash and short term funds		3,202	4,668
Securities held at fair value through profit or loss		356	342
Other receivables		11,160	11,148
Tax recoverable		1,363	1,363
Investment in subsidiary companies		270,189	270,189
TOTAL ASSETS		286,270	287,710
LIABILITIES			
Payables and other liabilities		858	771
Borrowings		146,900	146,900
		147,758	147,671
EQUITY			
Share capital		123,448	123,448
Reserves		19,037	20,564
Treasury shares for ESOS scheme		(3,973)	(3,973)
Shareholders' equity		138,512	140,039
TOTAL LIABILITIES AND EQUITY		286,270	287,710

The condensed balance sheet should be read in conjunction with the audited financial statements for the year ended 30 June 2009 and the accompanying explanatory notes attached to the interim financial statements.

HLG Capital Berhad

Condensed Income Statements

For the financial quarter ended 30 September 2009

	Note	Individual Quarter		Cumulative Quarter	
		Current quarter ended 30-Sep-09 RM'000	Last quarter ended 30-Sep-08 RM'000	Current year ended 30-Sep-09 RM'000	Last year ended 30-Sep-08 RM'000
THE COMPANY					
Interest income	15	17	63	17	63
Interest expense	16	(1,164)	(92)	(1,164)	(92)
Net interest expenses		(1,147)	(29)	(1,147)	(29)
Non interest income	17	14	(1)	14	(1)
Net income		(1,133)	(30)	(1,133)	(30)
Other operating expenses	18	(265)	(359)	(265)	(359)
Loss before taxation		(1,398)	(389)	(1,398)	(389)
Taxation		-	954	-	954
Net (loss)/profit for the financial period		(1,398)	565	(1,398)	565

The condensed income statement should be read in conjunction with the audited financial statements for the year ended 30 June 2009.

HLG Capital Berhad

Condensed Consolidated Statement of Changes in Equity For the financial quarter ended 30 September 2009

THE GROUP	← Non-Distributable →					Total RM'000
	Share capital RM'000	Shares held by ESOS Trust RM'000	General reserve RM'000	Statutory reserve RM'000	Retained earnings RM'000	
As at 1 July 2009	123,448	(3,973)	543	4,362	51,723	176,103
Net profit for the financial period	-	-	-	-	5,364	5,364
Right issue expenses	-	-	-	-	(129)	(129)
As at 30 September 2009	123,448	(3,973)	543	4,362	56,958	181,338
As at 1 July 2008	123,448	(3,568)	543	-	50,334	170,757
Net profit for the financial year	-	-	-	-	3,013	3,013
Purchase during the year	-	(401)	-	-	-	(401)
As at 30 September 2008	123,448	(3,969)	543	-	53,347	173,369

Condensed Statement of Changes in Equity For the financial quarter ended 30 September 2009

THE COMPANY	← Non-Distributable →					Total RM'000
	Share capital RM'000	Shares held by ESOS Trust RM'000	General reserve RM'000	Statutory reserve RM'000	Retained earnings RM'000	
As at 1 July 2009	123,448	(3,973)	-	-	20,564	140,039
Net loss for the financial year	-	-	-	-	(1,398)	(1,398)
Rights issue expenses	-	-	-	-	(129)	(129)
As at 30 September 2009	123,448	(3,973)	-	-	19,037	138,512
As at 1 July 2008	123,448	(3,568)	-	-	26,426	146,306
Net profit for the financial year	-	-	-	-	565	565
Purchase during the year	-	(401)	-	-	-	(401)
As at 30 September 2008	123,448	(3,969)	-	-	26,991	146,470

The condensed statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 30 June 2009 and the accompanying explanatory notes attached to the interim financial statements.

HLG Capital Berhad
Condensed Cash Flow Statement
For the financial quarter ended 30 September 2009

	Cumulative Quarter			
	The Group		The Company	
	30-Sep-09 RM'000	30-Sep-08 RM'000	30-Sep-09 RM'000	30-Sep-08 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before taxation	7,610	2,830	(1,398)	(389)
Adjustments for non-cash items	(1,229)	479	(31)	(62)
Operating profit/(loss) before working capital changes	6,381	3,309	(1,429)	(451)
Net increase/(decrease) working capital	187,255	58,508	75	(2,462)
Cash generated from/(used in) operations	193,636	61,817	(1,354)	(2,913)
Net income tax (paid)/refund	(175)	361	-	1,153
Interest received	3,337	(283)	17	63
Net cash generated from/(used in) operating activities	196,798	61,895	(1,337)	(1,697)
Net cash used in investing activities	(627)	(20,230)	-	-
Net cash used in financing activities	(179,860)	(19,001)	(129)	(19,001)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	16,311	22,664	(1,466)	(20,698)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	107,853	112,998	4,668	23,263
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	124,164	135,662	3,202	2,565
ANALYSIS OF CASH AND CASH EQUIVALENTS				
Short term fund	337,618	251,711	3,202	2,565
Less: Monies held in trust	(213,454)	(116,049)	-	-
	124,164	135,662	3,202	2,565

The condensed cash flow statement should be read in conjunction with the audited financial statements for the year ended 30 June 2009 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 2009

Explanatory Notes Pursuant to Financial Reporting Standard 134 ("FRS 134")
and Revised Guidelines on Financial Reporting for Licensed Institutions (BNM/GP8)
Issued by Bank Negara Malaysia

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 2009. 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 2009.

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 2009 except for the first time adoption of the followings: -

FRS 8 : Operating Segments - This new standard replaces FRS 114 requires an entity to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. disclosure in the financial statements. The application of this standard would not have any impact to the financial statements of the Group.

BNM has granted indulgence to the Bank and other local banks in Malaysia from complying with the requirements on the impairment of loans under the revised 'Guideline on Financial Reporting for Licensed Institutions' ("BNM/GP8"). Under the revised BNM/GP8, the impaired loans have to be measured at their estimated recoverable amount. This requirement is principally similar to the requirements under FRS 139 - Financial Instruments: Recognition and Measurement. In view of the deemed to be in compliance with the requirement on the impairment of loans under the revised BNM/GP8 if the allowance for non-performing loans, advances and financing is computed based on BNM's guidelines on the 'Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts' ("BNM/GP3") requirements.

The preparation of Financial Statements in conformity with Financial Reporting Standards and Bank Negara Malaysia Guidelines requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements, and the reported amounts of income and expense during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group and Bank's accounting policies. Although these estimates and assumptions are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

2. Status of matters giving rise to the auditors' qualified report in the audited financial statements for the financial year ended 30 June 2009

The auditors did not qualify the financial statements for the financial year ended 30 June 2009.

3. Seasonality or cyclicity of operations

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

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 30 September 2009

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 2009.

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 2009.

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 2009 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 3,943,600 shares in the Company costing RM3,973,381 inclusive of transaction costs, as at 30 September 2009.

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 2009.

8. Securities held at fair value through profit or loss

At fair value

Quoted securities:

Shares
Unit trust

The Group	
As at 30.9.09	As at 30.6.09
RM'000	RM'000
6,459	6,101
356	342
<u>6,815</u>	<u>6,443</u>

9. Available-for-sale securities

At fair value

Unquoted securities at fair value

Private debt securities
Shares

177,750	-
2,445	2,445
<u>180,195</u>	<u>2,445</u>

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 30 September 2009

	The Group	
	As at 30.9.09	As at 30.6.09
	RM'000	RM'000
10. Loans and advances		
(i) By type of financing		
Revolving credit	30,272	31,112
Share Financing	52,456	55,002
Gross loans and advances	<u>82,728</u>	<u>86,114</u>
Allowance for losses on loans and advances		
- Specific	(2,575)	(2,521)
- General	(1,202)	(1,254)
Net loans and advances	<u><u>78,951</u></u>	<u><u>82,339</u></u>
(ii) By type of customers		
Domestic business enterprises		
- Others	31,215	29,776
Individuals	48,487	53,359
Foreign entities	3,026	2,979
Gross loans and advances	<u>82,728</u>	<u>86,114</u>
(iii) By interest/profit rate sensitivity		
Fixed rate		
Other fixed rate loan	52,456	55,002
	<u>52,456</u>	<u>55,002</u>
Variable rate		
Cost-plus	30,272	31,112
Gross loans and advances	<u>82,728</u>	<u>86,114</u>
(iv) By economic purposes		
Working capital	14,906	15,598
Purchase of securities	67,822	70,516
Gross loans and advances	<u>82,728</u>	<u>86,114</u>
(v) Non-performing loans by economic purposes		
Purchase of securities	2,575	2,521
Gross non-performing loans and advances	<u>2,575</u>	<u>2,521</u>
(vi) Movements in the non-performing loans and advances:		
At beginning of the year	2,521	361
Non performing during the year	65	1,085
Recoveries	(11)	(39)
Amount transferred in respect of acquisition	-	1,114
	<u>2,575</u>	<u>2,521</u>
Less : Specific allowance	(2,575)	(2,521)
Net non-performing loans and advances	<u>-</u>	<u>-</u>
Ratio of non-performing loans to total loans, net of specific allowances	<u>0%</u>	<u>0%</u>

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 30 September 2009

10. Loans and advances (contd.)	The Group	
	As at 30.9.09	As at 30.6.09
	RM'000	RM'000
(vii) Movements in the allowance for losses on loans and advances are as follows:		
<u>Specific allowance</u>		
At beginning of the year	2,521	361
Allowances made/(written back) to income statement	54	1,046
Allowances transfer in respect of acquisition	-	1,114
	2,575	2,521
<u>General allowance</u>		
At beginning of the year	1,254	384
Allowance made/(written back) to income statement	(52)	168
Allowances transfer in respect of acquisition	-	702
	1,202	1,254
As % of gross loans and advances less specific allowance	1.5%	1.5%

11. Clients and brokers' balances

Performing accounts	178,057	192,472
Non-performing accounts – Bad	73,525	73,406
– Doubtful	98	53
	251,680	265,931
Less: Allowances for bad and doubtful debts		
- specific	(73,574)	(73,432)
- general	(23)	(50)
- interest in suspense	(47,401)	(46,687)
	130,682	145,762

Movements in the allowances for bad and doubtful debts are as follows:

<u>Specific allowance</u>		
Balance as at the beginning of the financial year	73,432	76,032
Allowances made during the financial year	177	-
Allowances written back during the financial year	(35)	(2,600)
Balance as at the end of the financial year	73,574	73,432
<u>General allowance</u>		
Balance as at the beginning of the financial year	50	125
Allowances made during the financial year	-	43
Allowances written back during the financial year	(27)	(118)
Balance as at the end of the financial year	23	50
<u>Interest-in-suspense</u>		
Balance as at the beginning of the financial year	46,687	43,994
Interest suspended during the year	714	2,693
Balance as at the end of the financial year	47,401	46,687

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 30 September 2009

The Group	
As at 30.9.09	As at 30.6.09
RM'000	RM'000

12. Goodwill arising from consolidation

At beginning of the period	32,823	4,663
Goodwill arising from acquisition	-	85,396
Impairment loss on goodwill	-	(57,236)
	32,823	32,823

13. Deposits from customers

Fixed deposits	181,674	-
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The maturity structure of fixed deposits :

Due within six months	181,674	-
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The deposits from customer are source from the following types of customers:

Business enterprise	181,674	-
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14. Deposits and placement of banks and other financial institutions

Other financial institutions	1,822	9,820
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<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
Current quarter ended 30.9.09	Last quarter ended 30.9.08	Current year ended 30.9.09	Last year ended 30.9.08
RM'000	RM'000	RM'000	RM'000

15. Interest Income

The Group

Loans and advances				
- Interest income other than recoveries from NPLs	1,531	975	1,531	975
Money at call and deposit placements with financial institutions	435	895	435	895
Available-for-sale securities	1,295	-	1,295	-
Others	76	101	76	101
	3,337	1,971	3,337	1,971

The Company

Money at call and deposit placements with financial institutions	17	63	17	63
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16. Interest Expense

The Group

Borrowings	1,203	185	1,203	185
Deposits and placements of banks and other financial institutions	18	-	18	-
Deposits from other customers	760	-	760	-
	1,981	185	1,981	185

The Company

Borrowings	1,164	92	1,164	92
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HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 30 September 2009

	Individual Quarter		Cumulative Quarter	
	Current	Last	Current	Last
	quarter ended 30.9.09 RM'000	quarter ended 30.9.08 RM'000	year ended 30.9.09 RM'000	year ended 30.9.08 RM'000
17. Non Interest Income				
<u>The Group</u>				
(a) Fee income:				
Net brokerage from stockbroking business	12,174	4,387	12,174	4,387
Net unit trust and asset management income	4,289	5,897	4,289	5,897
Net commission from futures business	237	347	237	347
Other fee income	848	360	848	360
	<u>17,548</u>	<u>10,991</u>	<u>17,548</u>	<u>10,991</u>
(b) Net trading income:				
Net unrealised gain/(loss) on revaluation of securities held at fair value through profit or loss	373	(779)	373	(779)
	<u>373</u>	<u>(779)</u>	<u>373</u>	<u>(779)</u>
(c) Dividend income from:				
Securities quoted in Malaysia				
Securities held at fair value through profit or loss	299	299	299	299
Unquoted securities:				
Available-for-sale investments	-	-	-	-
	<u>299</u>	<u>299</u>	<u>299</u>	<u>299</u>
(d) Other income:				
Gain on disposal of property, plant and equipment	56	-	56	-
Other non operating income	121	146	121	146
	<u>177</u>	<u>146</u>	<u>177</u>	<u>146</u>
Total Non Interest Income	<u>18,397</u>	<u>10,657</u>	<u>18,397</u>	<u>10,657</u>
<u>The Company</u>				
(a) Net trading income:				
Gain/(loss) arising from trading in securities held at fair value through profit or loss				
- unrealised gain/(loss)	14	(1)	14	(1)
	<u>14</u>	<u>(1)</u>	<u>14</u>	<u>(1)</u>
(b) Other income:				
Other non operating income	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Non Interest Income	<u>14</u>	<u>(1)</u>	<u>14</u>	<u>(1)</u>

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 30 September 2009

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>Current</u>	<u>Last</u>	<u>Current</u>	<u>Last</u>
	<u>quarter ended</u>	<u>quarter ended</u>	<u>year ended</u>	<u>year ended</u>
	<u>30.9.09</u>	<u>30.9.08</u>	<u>30.9.09</u>	<u>30.9.08</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
18. Other operating expenses				
<u>The Group</u>				
Personnel costs				
Salaries, allowances and bonuses	4,693	4,099	4,693	4,099
Others	940	891	940	891
Establishment costs				
Rental of premises	1,101	617	1,101	617
Depreciation of property and equipment	431	329	431	329
Amortisation of intangible assets	124	79	124	79
Amortisation of prepaid lease payments	-	-	-	-
Information technology expenses	1,194	743	1,194	743
Others	697	362	697	362
Marketing expenses				
Advertisement and publicity	194	169	194	169
Others	300	415	300	415
Administration and general expenses				
Telecommunication costs	278	295	278	295
Printing & stationery	111	81	111	81
Others	2,140	1,430	2,140	1,430
Total overhead expenses	12,203	9,510	12,203	9,510
<u>Company</u>				
Personnel costs				
Salaries, allowances and bonuses	31	73	31	73
Others	7	28	7	28
Establishment costs				
Others	(1)	1	(1)	1
Marketing expenses				
Others	7	1	7	1
Administration and general expenses				
Telecommunication costs	6	8	6	8
Printing & stationery	2	1	2	1
Others	213	247	213	247
Total overhead expenses	265	359	265	359

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 30 September 2009

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>Current</u>	<u>Last</u>	<u>Current</u>	<u>Last</u>
	<u>quarter ended</u>	<u>quarter ended</u>	<u>year ended</u>	<u>year ended</u>
	<u>30.9.09</u>	<u>30.9.08</u>	<u>30.9.09</u>	<u>30.9.08</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
19. Allowance for Losses on Loans, Advances and Other Losses				
<u>The Group</u>				
Allowance for losses on loans and advances				
Specific allowance				
- Made during the financial year	54	671	54	671
- Written back	-	-	-	-
General allowance (net)				
- Made during the financial year	-	516	-	516
- Written back	(61)	-	(61)	-
	<u>(7)</u>	<u>1,187</u>	<u>(7)</u>	<u>1,187</u>
Allowance for losses on clients' and brokers' balances				
Specific allowance				
- Made during the financial year	-	-	-	-
- Written back	(35)	(593)	(35)	(593)
General allowance (net)				
- Made during the financial year	-	-	-	-
- Written back	(18)	(491)	(18)	(491)
	<u>(53)</u>	<u>(1,084)</u>	<u>(53)</u>	<u>(1,084)</u>
Total allowance for losses	<u>(60)</u>	<u>103</u>	<u>(60)</u>	<u>103</u>

20. Commitment and Contingencies

In the normal course of business, the investment banking subsidiary make various commitments and incurred certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

	30 September 2009			30 June 2008		
	Principal	Credit	Risk	Principal	Credit	Risk
	Amount	Equivalent	Weighted	Amount	Equivalent	Weighted
	RM ' 000	RM ' 000	Amount	RM ' 000	RM ' 000	Amount
	RM ' 000	RM ' 000	RM ' 000	RM ' 000	RM ' 000	RM ' 000
Any commitments that are unconditionally cancelled at any time by the bank without prior notice	327,331	-	-	327,475	-	-
- maturity less than 1 year	-	-	-	-	-	-
	<u>327,331</u>	<u>-</u>	<u>-</u>	<u>327,475</u>	<u>-</u>	<u>-</u>

Bank Negara letter dated 18 March 2009 has allowed capital treatment on the undrawn portion of the credit facilities under Risk Weighted Capital Adequacy Framework to apply a 0% credit conversion factor (instead of 20%) on the undrawn portions of credit facilities with the original maturity of less than one year as a temporary measure to support lending activities of the banking industry. This measure is applicable until 31 December 2010.

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 30 September 2009

21. Capital Adequacy Ratio

BNM guidelines require the Banking subsidiary to maintain a certain minimum level of capital funds against the "risk-weighted" value of the assets and certain commitments and contingencies. The capital funds of the investment Banking subsidiary as at 30 September 2009 met the minimum requirement.

	As at 30.9.09 RM'000	As at 30.6.09 RM'000
Capital adequacy ratio of Hong Leong Investment Bank Berhad		
<u>Components of Tier I and Tier II capital:</u>		
Tier-1 capital		
Paid-up share capital	123,500	123,500
Accumulated losses (excluding deferred taxation)	(54,229)	(54,229)
Other reserves:	4,362	4,362
	<u>73,633</u>	<u>73,633</u>
Goodwill	(30,000)	(30,000)
Total Tier-1 capital	<u>43,633</u>	<u>43,633</u>
Tier-2 capital		
Redeemable Preference Shares ("RPS")	1,631	1,631
Share Premium on RPS	142,035	142,035
General allowance for bad and doubtful debts	1,226	1,304
Total Tier-2 capital	<u>144,892</u>	<u>144,970</u>
Total Eligible Tier-2 capital	<u>43,633</u>	<u>43,633</u>
Total capital	87,266	87,266
Less: Investments in subsidiary companies	(588)	(588)
Capital base	<u>86,678</u>	<u>86,678</u>
<u>Before deducting proposed dividends</u>		
Core capital ratio	17.01%	17.59%
Risk-weighted capital ratio	33.80%	34.94%
<u>After deducting proposed dividends</u>		
Core capital ratio	17.01%	17.59%
Risk-weighted capital ratio	33.80%	34.94%

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 30 September 2009

22. Segmental reporting

(a) Segment information by activities for the financial year ended 30 September 2009.

	Investment banking and stockbroking	Fund management and unit trust management	Futures and options broking	Investment holding and others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30-Sep-09						
REVENUE & EXPENSES						
Revenue						
Net Interest income	2,313	124	67	(1,148)	-	1,356
Non interest income	13,857	4,286	237	14	3	18,397
Results						
Profit / (loss) from operations	7,709	1,373	(65)	(1,399)	(8)	7,610
Taxation						(2,246)
Profit after taxation						5,364
30-Sep-08						
REVENUE & EXPENSES						
Revenue						
Net Interest income	1,558	205	51	(28)	-	1,786
Non interest income	4,564	5,894	347	(1)	(147)	10,657
Results						
Profit / (loss) from operations	27	3,058	133	(390)	2	2,830
Taxation						183
Profit after taxation						3,013

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

23. Property and equipment

The valuations of property and equipment have been brought forward without amendment from the financial statements for the financial period ended 30 September 2009.

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 30 September 2009

24. Events after Balance Sheet date

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

25. Changes in composition of the Group

There were no changes in composition of the Group since last financial quarter.

26. Capital Commitments

There were no capital commitments for the purchase of property and equipment as at 30 September 2009.

27. 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 2009.

28. 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
Notes to the interim financial statements
for the financial quarter ended 30 September 2009

29. Interest/Profit Rate Risk

The Group	Non-trading book						Trading book	Total	Effective interest rate %
	Up to 1 month	> 1 - 3 months	> 3 - 12 months	1 - 5 years	Over 5 years	Non interest sensitive			
Notes	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
Assets									
Cash and short term funds	260,287	-	-	-	-	77,331	-	337,618	1.9
Deposits and placements with banks and other financial institutions	-	-	-	-	-	54	-	54	-
Securities held at fair value through profit or loss	-	-	-	-	-	-	6,815	6,815	-
Available-for-sale securities	177,750	-	-	-	-	2,445	-	180,195	3.7
Loans and advances	30,272	49,881	-	-	-	(1,202)	-	78,951	8.0
Clients' and brokers' balances	-	-	-	-	-	130,682	-	130,682	-
Other assets	-	-	-	-	-	23,209	-	23,209	-
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	1,430	-	1,430	-
Tax recoverable	-	-	-	-	-	442	-	442	-
Prepaid lease payments	-	-	-	-	-	1,132	-	1,132	-
Property, plant and equipment	-	-	-	-	-	4,917	-	4,917	-
Goodwill arising on consolidation	-	-	-	-	-	32,823	-	32,823	-
Intangible assets	-	-	-	-	-	941	-	941	-
Deferred tax assets	-	-	-	-	-	56,553	-	56,553	-
Total assets	468,309	49,881	-	-	-	330,757	6,815	855,762	
Liabilities									
Deposits from customers	181,674	-	-	-	-	-	-	181,674	2.2
Deposits and placement of banks and other financial institutions	-	345	1,477	-	-	-	-	1,822	2.4
Short term borrowings	146,900	-	-	-	-	-	-	146,900	3.2
Clients' and brokers' balances	-	-	-	-	-	309,839	-	309,839	-
Payables and other liabilities	-	-	-	-	-	34,189	-	34,189	-
Total liabilities	328,574	345	1,477	-	-	344,028	-	674,424	
Total interest sensitivity gap	139,735	49,536	(1,477)	-	-	-	-	-	

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 30 September 2009

29. Interest/Profit Rate Risk (Cont'd)

The Group	Non-trading book						Effective interest rate %
	Up to 1 month	> 1 - 3 months	> 3 - 12 months	1 - 5 years	Over 5 years	Non interest sensitive	
Notes	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 30 June 2008							
Assets							
Cash and short term funds	255,784	-	-	-	-	61,603	-
Deposits and placements with banks and other financial institutions	-	24	-	-	-	49	-
Securities held at fair value through profit or loss	-	-	-	-	-	-	6,443
Available-for-sale securities	-	-	-	-	-	2,445	-
Loans and advances	31,112	52,481	-	-	-	(1,254)	-
Clients' and brokers' balances	-	-	-	-	-	145,762	-
Other assets	-	-	-	-	-	13,854	-
Tax recoverable	-	-	-	-	-	644	-
Prepaid lease payments	-	-	-	-	-	1,132	-
Property, plant and equipment	-	-	-	-	-	4,750	-
Goodwill arising on consolidation	-	-	-	-	-	32,823	-
Intangible assets	-	-	-	-	-	982	-
Non-current assets held for sale	-	-	-	-	-	-	-
Total assets	286,896	52,505	-	-	-	321,245	6,443
Liabilities							
Deposits and placements of other financial institution	8,000	344	1,476	-	-	-	-
Borrowings	146,900	-	-	-	-	-	-
Clients' and brokers' balances	-	-	-	-	-	279,029	-
Payables and other liabilities	-	-	-	-	-	55,236	-
Total liabilities and shareholders' funds	154,900	344	1,476	-	-	334,265	-
Total interest sensitivity gap	131,996	52,161	(1,476)	-	-	-	-
Total	-	-	-	-	-	-	-

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 30 September 2009

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

1. Performance review

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

For the financial quarter ended 30 June 2009, the Group reported a profit before taxation of RM7.6 million compared to a profit of RM2.8 million in the previous corresponding financial quarter. This was due to better performance of equity division resulting from higher Bursa Malaysia volume during the financial quarter.

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

For the current financial quarter ended 30 June 2009, the Group reported a operating profit before tax of RM7.6 million compare to loss of RM46.6 million for the preceding financial quarter. This was mainly caused by impairment loss on goodwill of RM57.2 million made during the preceding quarter.

2. Prospects for the current financial year

Barring unforeseen circumstances, the Group is expected to perform satisfactorily for the current financial year. The Group has put in place measures to right-size the cost base of its businesses and pursue new business opportunities to diversify its revenue stream.

3. 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.

4. Taxation

The Group	Financial quarter ended		Financial period ended	
	30.09.09 RM'000	30.9.08 RM'000	30.09.09 RM'000	30.9.08 RM'000
Tax expense/(income) on Malaysian tax				
– Current	2,246	771	2,246	771
– Prior year	-	(954)	-	(954)
	2,246	(183)	2,246	(183)

5. Sale of properties / unquoted investments

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

6. 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.

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 30 September 2009

7. Status of corporate proposal

Rights issue

On 19 January 2009, the Company announced the followings proposals:-

- a) a renounceable rights issue of up to 123,448,334 new ordinary shares of RM1.00 each ("Rights Share(s)) in the Company, at an indicative issue price of RM1.00 per Rights Share on the basis of one (1) Rights Share for every one (1) existing ordinary share of RM1.00 each held in the Company at an entitlement date to be determined later ("Proposed Rights Issue");
- (b) increase in the Authorised Share Capital of the Company from RM200,000,000 comprising 200,000,000 Shares to RM500,000,000 comprising 500,000,000 Shares ("Proposed Increase"); and
- (c) amendment to the Memorandum of Association of the Company ("Proposed Amendment").

On the 25 May 2009, the Company announced that the issue price of the Rights Shares has been fixed at RM1.00 per Rights Share ("Rights Issue Price"). The Rights Issue Price was arrived at after taking into consideration the weighted average market price of the Company's Shares for the past five (5) market days up to and including 22 May 2009 (being the market day immediately preceding the price fixing date of 25 May 2009) of approximately RM1.0903.

The theoretical ex-rights price based on the above was approximately RM1.045 ("TERP"). The Rights Issue Price represented a discount of 4.5 sen or approximately 4.31% over the TERP.

At the Extraordinary General Meeting held on 31 July 2009 the shareholders approved the Proposed Rights Issue, Proposed Increase and Proposed Amendment.

On the 8 October 2009 ("Closing Date"), the total valid acceptances and excess applications received for the Proposed Rights Issue were for 141,044,149 Rights Shares. This represents a subscription level of 114.25% of the total number of Rights Shares available under the Rights Issue.

The 123,448,334 Rights Shares were granted listing of and quotation on the Main Market of Bursa Securities on 22 October 2009 and the Proposed Rights Issue was completed on the even date.

8. Group borrowings

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

9. 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.

10. Material litigation

The Company and 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.

There has been no development on the above as at end of the financial year.

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 30 September 2009

11. Dividends

The Board of Directors do not recommended any dividend to be paid for the financial period ended 30 September 2009.

12. 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 period ended	
	30.9.2009	30.9.2008	30.9.2009	30.9.2008
Net profit attributable to shareholders of the Company (RM'000):	5,364	3,013	5,364	3,013
Weighted average number of Ordinary Shares in issue ('000):	119,541	121,263	119,541	121,263
Basic earnings per share (Sen)	4.5	2.5	4.5	2.5

(b) Fully diluted earnings per share

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