

HLG Capital Berhad

Condensed Consolidated Balance Sheet

As at 31 March 2010

THE GROUP	Note	As at current financial period ended 31 March 2010 RM'000	As at preceding financial year ended 30 June 2009 RM'000
ASSETS			
Cash and short term funds		306,556	317,387
Deposits and placements with banks and other financial institutions		64	73
Securities held at fair value through profit or loss	8	122,739	6,443
Available-for-sale securities	9	182,437	2,445
Loans and advances	10	93,136	82,339
Clients' and brokers' balances	11	135,242	145,762
Other receivables		25,358	13,854
Statutory deposit with Bank Negara Malaysia		1,080	-
Tax recoverable		528	644
Deferred tax assets		54,465	58,455
Prepaid lease payments		1,132	1,132
Property and equipment		4,446	4,750
Goodwill arising on consolidation	12	33,058	32,823
Intangible assets		1,308	982
TOTAL ASSETS		961,549	667,089
LIABILITIES			
Deposit from customers	13	190,635	-
Deposits and placement of banks and other financial institutions	14	116,450	9,820
Clients' and brokers' balances		308,886	279,029
Payables and other liabilities		10,517	55,236
Borrowings		33,500	146,900
		659,988	490,985
EQUITY			
Share capital		246,896	123,448
Reserves		67,868	56,629
Treasury shares for ESOS scheme		(13,203)	(3,973)
Shareholders' equity		301,561	176,104
TOTAL LIABILITIES AND EQUITY		961,549	667,089
COMMITMENT AND CONTINGENCIES	20	1,506,104	327,475
Net assets per share attributable to ordinary equity holders of the parent (sen)*		129 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 31 March 2010

THE GROUP	Note	Individual Quarter		Cumulative Quarter	
		Current quarter ended 31-Mar-10 RM'000	Last quarter ended 31-Mar-09 RM'000	Current year ended 31-Mar-10 RM'000	Last year ended 31-Mar-09 RM'000
Interest Income	15	4,439	2,509	11,469	6,958
Interest expense	16	(1,919)	(1,407)	(5,349)	(2,609)
Net interest income		2,520	1,102	6,120	4,349
Non Interest Income	17	18,737	10,828	55,648	31,267
Net Income		21,257	11,930	61,768	35,616
Other Operating Expenses	18	(16,397)	(12,326)	(44,726)	(32,634)
Operating profit before allowances		4,860	(396)	17,042	2,982
Allowance for losses on loans and advances and other losses	19	(260)	533	(512)	25
Profit before taxation		4,600	137	16,530	3,007
Taxation		(1,220)	(597)	(4,900)	(962)
Net profit for the financial period		3,380	(460)	11,630	2,045
Earnings per share (sen)					
Basic		1.4	(0.2)	4.9	0.9
Fully diluted		1.4	(0.2)	4.9	0.9

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 31 March 2010

THE COMPANY	Note	As at current financial period ended 31 Mar 2010 RM'000	As at preceding financial year ended 30 June 2009 RM'000
ASSETS			
Cash and short term funds		1,354	4,668
Securities held at fair value through profit or loss		377	342
Other receivables		11,062	11,148
Tax recoverable		1,363	1,363
Investment in subsidiary companies		270,189	270,189
TOTAL ASSETS		284,345	287,710
LIABILITIES			
Payables and other liabilities		543	771
Borrowings		33,500	146,900
		34,043	147,671
EQUITY			
Share capital		246,896	123,448
Reserves		16,609	20,564
Treasury shares for ESOS scheme		(13,203)	(3,973)
Shareholders' equity		250,302	140,039
TOTAL LIABILITIES AND EQUITY		284,345	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 31 March 2010

	Note	Individual Quarter		Cumulative Quarter	
		Current quarter ended 31-Mar-10 RM'000	Last quarter ended 31-Mar-09 RM'000	Current year ended 31-Mar-10 RM'000	Last year ended 31-Mar-09 RM'000
THE COMPANY					
Interest income	15	4	87	100	235
Interest expense	16	(200)	(1,263)	(1,839)	(2,272)
Net interest expenses		(196)	(1,176)	(1,739)	(2,037)
Non interest income	17	15	1	35	(20)
Net income		(181)	(1,175)	(1,704)	(2,057)
Other operating expenses	18	(808)	(481)	(1,860)	(953)
Loss before taxation		(989)	(1,656)	(3,564)	(3,010)
Taxation		-	-	-	954
Net (loss)/profit for the financial period		(989)	(1,656)	(3,564)	(2,056)

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 31 March 2010

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	51,724	176,104
Net profit for the financial period	-	-	-	-	11,630	11,630
Unrealised net gain on revaluation of securities available-for-sale	-	-	-	-	-	-
Purchase during the year	-	(5,286)	-	-	-	(5,286)
Rights issue	123,448	(3,944)	-	-	-	119,504
Rights issue expenses	-	-	-	-	(391)	(391)
As at 31 March 2010	246,896	(13,203)	543	4,362	62,963	301,561
As at 1 July 2008	123,448	(3,568)	543	-	50,334	170,757
Net profit for the financial year	-	-	-	-	2,045	2,045
Dividend Paid	-	-	-	-	(6,723)	(6,723)
Purchase during the year	-	(401)	-	-	-	(401)
As at 31 March 2009	123,448	(3,969)	543	-	45,656	165,678

Condensed Statement of Changes in Equity
For the financial quarter ended 31 March 2010

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	-	-	-	-	(3,564)	(3,564)
Purchase during the year	-	(5,286)	-	-	-	(5,286)
Rights issue	123,448	(3,944)	-	-	-	119,504
Rights issue expenses	-	-	-	-	(391)	(391)
As at 31 March 2010	246,896	(13,203)	-	-	16,609	250,302
As at 1 July 2008	123,448	(3,568)	-	-	26,426	146,306
Net loss for the financial year	-	-	-	-	(2,056)	(2,056)
Dividend Paid	-	-	-	-	(6,723)	(6,723)
Purchase during the year	-	(401)	-	-	-	(401)
As at 31 March 2009	123,448	(3,969)	-	-	17,647	137,126

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 31 March 2010

	Cumulative Quarter			
	The Group		The Company	
	31-Mar-10 RM'000	31-Mar-09 RM'000	31-Mar-10 RM'000	31-Mar-09 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before taxation	16,530	3,007	(3,564)	(3,010)
Adjustments for non-cash items	(6,264)	2,240	1,705	2,057
Operating profit/(loss) before working capital changes	10,266	5,247	(1,859)	(953)
Net increase/(decrease) working capital	271,578	(5,286)	(142)	(10,610)
Cash generated from/(used in) operations	281,844	(39)	(2,001)	(11,563)
Net income tax (paid)/refund	(686)	(214)	-	1,153
Interest received	12,009	3,171	100	235
Net cash generated from/(used in) operating activities	293,167	2,918	(1,901)	(10,175)
Net cash used in investing activities	(296,706)	(136,499)	-	(123,000)
Net cash (used in)/generated from financing activities	(4,921)	110,690	(1,413)	110,800
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(8,460)	(22,891)	(3,314)	(22,375)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	107,853	113,037	4,668	23,263
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	99,393	90,146	1,354	888
ANALYSIS OF CASH AND CASH EQUIVALENTS				
Short term fund	306,556	226,780	1,354	888
Less: Monies held in trust	(207,163)	(136,634)	-	-
	99,393	90,146	1,354	888

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 31 March 2010

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 deferment of the implementation of FRS 139 in Malaysia, the banking subsidiaries and other local banks in Malaysia will be 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 audited 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 31 March 2010

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 March 2010.

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 March 2010.

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 March 2010 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 12,291,700 shares in the Company costing RM13,203,461 inclusive of transaction costs, as at 31 March 2010.

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

- (c) The Company had, on 22 October 2009, increased its issued and paid up share capital from RM123,448,334 to RM246,896,668 by the issuance of 123,448,334 new ordinary shares of RM1 each.

7. Dividends paid

There was no dividend paid during the financial quarter ended 31 March 2010.

8. Securities held at fair value through profit or loss

At fair value

Money market instruments at fair value:

- Malaysian government securities
- Negotiable instruments of deposits
- Private debt securities

Quoted securities:

- Shares
- Unit trust

Total

	The Group	
	As at 31.3.10	As at 30.6.09
	RM'000	RM'000
	35,158	-
	30,000	-
	50,027	-
	<u>115,185</u>	<u>-</u>
	7,177	6,101
	377	342
	<u>7,554</u>	<u>6,443</u>
	<u>122,739</u>	<u>6,443</u>

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 31 March 2010

	The Group	
	As at 31.3.10 RM'000	As at 30.6.09 RM'000
9. Available-for-sale securities		
<i>At fair value</i>		
Unquoted securities at fair value		
Private debt securities	179,992	-
Shares	2,445	2,445
	<u>182,437</u>	<u>2,445</u>
10. Loans and advances		
(i) By type of financing		
Term loans	19,495	-
Revolving credit	28,762	31,112
Share Financing	48,966	55,002
Gross loans and advances	<u>97,223</u>	<u>86,114</u>
Allowance for losses on loans and advances		
- Specific	(2,668)	(2,521)
- General	(1,419)	(1,254)
Net loans and advances	<u>93,136</u>	<u>82,339</u>
(ii) By type of customers		
Domestic business enterprises		
- Others	46,975	29,776
Individuals	48,185	53,359
Foreign non-bank entities	2,063	2,979
Gross loans and advances	<u>97,223</u>	<u>86,114</u>
(iii) By interest/profit rate sensitivity		
Fixed rate		
Other fixed rate loan	48,966	55,002
	<u>48,966</u>	<u>55,002</u>
Variable rate		
Cost-plus	48,257	31,112
Gross loans and advances	<u>97,223</u>	<u>86,114</u>
(iv) By economic purposes		
Working capital	33,183	15,598
Purchase of securities	64,040	70,516
Gross loans and advances	<u>97,223</u>	<u>86,114</u>
(v) Non-performing loans by economic purposes		
Purchase of securities	2,668	2,521
Gross non-performing loans and advances	<u>2,668</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	158	1,085
Recoveries	(11)	(39)
Amount transferred in respect of acquisition	-	1,114
	<u>2,668</u>	<u>2,521</u>
Less : Specific allowance	(2,668)	(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 31 March 2010

10. Loans and advances (contd.)	The Group	
	As at 31.3.10	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	147	1,046
Allowances transfer in respect of acquisition	-	1,114
	<u>2,668</u>	<u>2,521</u>
<u>General allowance</u>		
At beginning of the year	1,254	384
Allowance made/(written back) to income statement	165	168
Allowances transfer in respect of acquisition	-	702
	<u>1,419</u>	<u>1,254</u>
As % of gross loans and advances less specific allowance	1.5%	1.5%

11. Clients and brokers' balances

Performing accounts	191,778	192,472
Non-performing accounts – Bad	73,472	73,406
– Doubtful	388	53
	<u>265,638</u>	<u>265,931</u>
Less: Allowances for bad and doubtful debts		
- specific	(78,966)	(73,432)
- general	(13)	(50)
- interest in suspense	(51,417)	(46,687)
	<u>135,242</u>	<u>145,762</u>

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	5,534	-
Allowances written back during the financial year	-	(2,600)
Balance as at the end of the financial year	<u>78,966</u>	<u>73,432</u>
<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	(37)	(118)
Balance as at the end of the financial year	<u>13</u>	<u>50</u>
<u>Interest-in-suspense</u>		
Balance as at the beginning of the financial year	46,687	43,994
Interest suspended during the year	4,731	2,693
Balance as at the end of the financial year	<u>51,418</u>	<u>46,687</u>

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 31 March 2010

	The Group	
	As at 31.3.10 RM'000	As at 30.6.09 RM'000
12. Goodwill arising from consolidation		
At beginning of the period	32,823	4,663
Goodwill arising from acquisition	-	83,749
Merger expenses	235	1,647
Impairment loss on goodwill	-	(57,236)
	<u>33,058</u>	<u>32,823</u>

13. Deposits from customers

Fixed deposits	190,635	-
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The maturity structure of fixed deposits :

Due within six months	190,635	-
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The deposits from customer are source from the following types of customers:

Business enterprise	180,573	-
Individuals	10,062	-
	<u>190,635</u>	<u>-</u>

14. Deposits and placement of banks and other financial institutions

Licensed banks	90,000	-
Other financial institutions	26,450	9,820
	<u>116,450</u>	<u>9,820</u>

15. Interest Income

The Group

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31.3.10 RM'000	Last quarter ended 31.03.09 RM'000	Current year ended 31.3.10 RM'000	Last year ended 31.03.09 RM'000
Loans and advances				
- Interest income other than recoveries from NPLs	1,508	1,573	4,524	3,787
Money at call and deposit placements with financial institutions	1,218	697	2,247	2,633
Held-for-trading securities	150	-	150	-
Available-for-sale securities	1,491	-	4,349	-
Others	3,297	239	4,931	538
	<u>7,664</u>	<u>2,509</u>	<u>16,201</u>	<u>6,958</u>
Accretion of discount less amortisation of premium	(1)	-	(1)	-
Interest suspended	(3,224)	-	(4,731)	-
	<u>4,439</u>	<u>2,509</u>	<u>11,469</u>	<u>6,958</u>

The Company

Money at call and deposit placements with financial institutions	4	87	100	235
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HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 31 March 2010

	<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>31.3.10</u>	<u>31.03.09</u>	<u>31.3.10</u>	<u>31.03.09</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
16. Interest Expense				
<u>The Group</u>				
Borrowings	235	1,279	1,952	2,481
Deposits and placements of banks and other financial institutions	68	53	99	53
Deposits from other customers	1,616	75	3,298	75
	<u>1,919</u>	<u>1,407</u>	<u>5,349</u>	<u>2,609</u>
<u>The Company</u>				
Borrowings	200	1,263	1,839	2,272
17. Non Interest Income				
<u>The Group</u>				
(a) Fee income:				
Net brokerage from stockbroking business	10,407	6,164	32,013	16,928
Net unit trust and asset management income	4,466	3,409	13,379	13,759
Net commission from futures business	211	274	641	901
Other fee income	2,579	261	6,383	-
	<u>17,663</u>	<u>10,108</u>	<u>52,416</u>	<u>31,588</u>
(b) Net trading income:				
Net unrealised gain/(loss) on revaluation of securities held at fair value through profit or loss	576	120	1,313	(1,698)
Net realised gain on revaluation of securities	42	-	582	-
	<u>618</u>	<u>120</u>	<u>1,895</u>	<u>(1,698)</u>
(c) Dividend income from:				
Securities quoted in Malaysia				
Securities held at fair value through profit or loss	299	396	598	944
Unquoted securities:				
Available-for-sale investments	-	-	-	45
	<u>299</u>	<u>396</u>	<u>598</u>	<u>989</u>
(d) Other income:				
Gain on disposal of property, plant and equipment	72	68	320	73
Other non operating income	85	136	419	315
	<u>157</u>	<u>204</u>	<u>739</u>	<u>388</u>
Total Non Interest Income	<u>18,737</u>	<u>10,828</u>	<u>55,648</u>	<u>31,267</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)	15	1	35	(20)
	<u>15</u>	<u>1</u>	<u>35</u>	<u>(20)</u>
(b) Other income:				
Other non operating income	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Non Interest Income	<u>15</u>	<u>1</u>	<u>35</u>	<u>(20)</u>

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 31 March 2010

	<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>31.3.10</u>	<u>31.03.09</u>	<u>31.3.10</u>	<u>31.03.09</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	8,002	4,656	20,406	13,676
Others	2,042	2,016	4,832	4,392
Establishment costs				
Rental of premises	1,099	1,067	3,301	2,597
Depreciation of property and equipment	464	418	1,351	1,144
Amortisation of intangible assets	187	97	476	247
Information technology expenses	1,105	1,051	3,493	2,563
Others	486	941	1,641	1,774
Marketing expenses				
Advertisement and publicity	192	123	577	449
Others	290	353	846	1,208
Administration and general expenses				
Telecommunication costs	228	(76)	797	473
Printing & stationery	124	156	410	291
Others	2,178	1,524	6,596	3,820
Total overhead expenses	<u>16,397</u>	<u>12,326</u>	<u>44,726</u>	<u>32,634</u>
<u>Company</u>				
Personnel costs				
Salaries, allowances and bonuses	421	94	673	239
Others	89	33	309	89
Establishment costs				
Others	1	2	7	4
Marketing expenses				
Others	1	22	17	23
Administration and general expenses				
Telecommunication costs	1	1	21	11
Printing & stationery	1	8	7	14
Others	294	321	826	573
Total overhead expenses	<u>808</u>	<u>481</u>	<u>1,860</u>	<u>953</u>

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 31 March 2010

<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>31.3.10</u>	<u>31.03.09</u>	<u>31.3.10</u>	<u>31.03.09</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

The Group

Allowance for losses on loans and advances

Specific allowance

- Made during the financial year	27	132	158	1,104
- Written back	-	-	(11)	-

General allowance (net)

- Made during the financial year	-	571	165	563
- Written back	(18)	-	-	-

Bad debts recovered

	(16)	-	(16)	-
	<u>(7)</u>	<u>703</u>	<u>296</u>	<u>1,667</u>

Allowance for losses on clients' and brokers' balances

Specific allowance

- Made during the financial year	265	-	254	-
- Written back	-	(1,317)	-	(1,728)

General allowance (net)

- Made during the financial year	2	81	(38)	36
- Written back	-	-	-	-

	<u>267</u>	<u>(1,236)</u>	<u>216</u>	<u>(1,692)</u>
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Total allowance for losses

	<u>260</u>	<u>(533)</u>	<u>512</u>	<u>(25)</u>
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HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 31 March 2010

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.

	31 March 2010			
	Principal Amount	Positive Fair Value of Derivatives Contract	Credit Equivalent	Risk Weighted Amount
	RM ' 000	RM ' 000	RM ' 000	RM ' 000
Derivative Financial Instruments				
Equity related contracts:				
- Interest Rates Futures (see additional info)	1,170,000	140	-	28,050
Any commitments that are unconditionally cancelled at any time by the bank without prior notice				
- maturity less than 1 year	336,104	-	-	-
	<u>1,506,104</u>	<u>140</u>	<u>-</u>	<u>28,050</u>
	30 June 2009			
	Principal Amount	Positive Fair Value of Derivatives Contract	Credit Equivalent	Risk Weighted Amount
	RM ' 000	RM ' 000	RM ' 000	RM ' 000
Derivative Financial Instruments				
Equity related contracts:				
- Interest Rates Futures	-	-	-	-
Any commitments that are unconditionally cancelled at any time by the bank without prior notice				
- maturity less than 1 year	327,475	-	-	-
	<u>327,475</u>	<u>-</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.

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Notes to the interim financial statements
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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 31 March 2010 met the minimum requirement.

	As at 31.3.10 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	265,535	123,500
Accumulated losses (excluding deferred taxation)	(54,229)	(54,229)
Other reserves:	4,362	4,362
	<u>215,668</u>	<u>73,633</u>
Goodwill	(30,236)	(30,000)
Total Tier-1 capital	<u>185,432</u>	<u>43,633</u>
Tier-2 capital		
Redeemable Preference Shares ("RPS")	1,631	1,631
Share Premium on RPS	-	142,035
General allowance for bad and doubtful debts	1,432	1,304
Total Tier-2 capital	<u>3,063</u>	<u>144,970</u>
Total Eligible Tier-2 capital	<u>3,063</u>	<u>43,633</u>
Total capital	188,495	87,266
Less: Investments in subsidiary companies	(588)	(588)
Capital base	<u>187,907</u>	<u>86,678</u>
<u>Before deducting proposed dividends</u>		
Core capital ratio	40.7%	17.6%
Risk-weighted capital ratio	41.3%	34.9%
<u>After deducting proposed dividends</u>		
Core capital ratio	40.7%	17.6%
Risk-weighted capital ratio	41.3%	34.9%

HLG Capital Berhad
Notes to the interim financial statements
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22. Segmental reporting

(a) Segment information by activities for the financial year ended 31 March 2010.

	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
31-Mar-10						
REVENUE & EXPENSES						
Revenue						
Net Interest income	7,256	396	208	(1,740)	-	6,120
Non interest income	41,454	13,373	641	173	7	55,648
Results						
Profit / (loss) from operations	15,955	4,364	(211)	(3,576)	(2)	16,530
Taxation						(4,900)
Profit after taxation						11,630
31-Mar-09						
REVENUE & EXPENSES						
Revenue						
Net Interest income	5,598	607	180	(2,036)	-	4,349
Non interest income	16,616	13,762	902	(20)	7	31,267
Results						
Profit / (loss) from operations	70	5,854	87	(3,011)	7	3,007
Taxation						(962)
Profit after taxation						2,045

(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 31 March 2010.

HLG Capital Berhad
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for the financial quarter ended 31 March 2010

24. Events after Balance Sheet date

- (a) On 15 April 2010, the Company announced the proposed merger of the business operations of its two (2) wholly-owned subsidiaries, namely HLG Unit Trust Berhad ("HLGUT") and HLG Asset Management Sdn Bhd ("HLGAM") ("Proposed Merger").

Pursuant to the Proposed Merger, HLGAM had on 15 April 2010 entered into a Business Transfer Agreement with HLGUT whereby HLGAM will transfer its assets, liabilities, activity, business and the undertaking of the business carried on by HLGAM as a going concern to HLGUT ("HLGAM Business") with effect from 1 June 2010 (or such other date as may be agreed by the parties hereto) ("Transfer Date").

The consideration for the transfer of the HLGAM Business will be based on the value of the net assets of HLGAM as at the Transfer Date, and will be satisfied by HLGUT in cash.

- (b) On 22 April 2010, the Company announced that two of its wholly owned subsidiaries, namely Hong Leong Investment Bank Berhad ("HLIB") and HLG Futures Sdn Bhd ("HLG Futures") had, on 22 April 2010, entered into a Business Transfer Agreement, whereby HLG Futures will transfer all its assets, liabilities, activity, business and the undertaking of the business carried on by HLG Futures as a going concern ("HLG Futures Business") to HLIB ("Proposed Intergration") with effect from 31 July 2010 (or such other date as may be agreed by the parties hereto) ("Transfer Date").

The consideration for the transfer of the HLG Futures Business will be based on the value of the net assets of HLG Futures as at the Transfer Date, and will be satisfied by HLIB in cash.

The Proposed Intergration is subject to, inter alia, the following:

- (i) obtaining the order of the High Court for the vesting of HLG Futures Business in HLIB;
- (ii) the approval of the Minister of Finance through the Securities Commission; and
- (iii) the approval of the SC for the application for a Capital Market Service licence to carry on the business of trading futures contracts by HLIB.

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 31 March 2010.

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 31 March 2010.

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 31 March 2010

29. Interest/Profit Rate Risk

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	
As at 31 March 2010	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets							
Cash and short term funds	238,455	-	-	-	-	68,101	306,556
Deposits and placements with banks and other financial institutions	-	-	-	-	-	64	64
Securities held at fair value through profit or loss	-	30,000	-	50,027	35,158	-	122,739
Available-for-sale securities	-	-	179,992	-	-	2,445	182,437
Loans and advances							
- Performing loans	48,257	46,297	-	-	-	(1,418)	93,136
Clients' and brokers' balances	-	-	-	-	-	135,242	135,242
Other assets	404	-	-	-	-	24,954	25,358
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	1,080	1,080
Tax recoverable	-	-	-	-	-	528	528
Prepaid lease payments	-	-	-	-	-	1,132	1,132
Property, plant and equipment	-	-	-	-	-	4,446	4,446
Goodwill arising on consolidation	-	-	-	-	-	33,058	33,058
Intangible assets	-	-	-	-	-	1,308	1,308
Deferred tax assets	-	-	-	-	-	54,465	54,465
Total assets	287,116	76,297	179,992	50,027	35,158	325,405	961,549
Liabilities							
Deposits from customers	190,635	-	-	-	-	-	190,635
Deposits and placement of banks and other financial institutions	24,626	91,824	-	-	-	-	116,450
Clients' and brokers' balances	-	-	-	-	-	308,886	308,886
Payables and other liabilities	1,605	-	-	-	-	8,912	10,517
Short term borrowings	33,500	-	-	-	-	-	33,500
Total liabilities	250,366	91,824	-	-	-	317,798	659,988
Total interest sensitivity gap	36,750	(15,527)	179,992	50,027	35,158		

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 31 March 2010

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 2009							
Assets							
Cash and short term funds	255,784	-	-	-	-	61,603	317,387
Deposits and placements with banks and other financial institutions	-	24	-	-	-	49	73
Securities held at fair value through profit or loss	-	-	-	-	-	-	6,443
Available-for-sale securities	-	-	-	-	-	2,445	2,445
Loans and advances	31,112	52,481	-	-	-	(1,254)	82,339
Clients' and brokers' balances	-	-	-	-	-	145,762	145,762
Other assets	-	-	-	-	-	13,854	13,854
Tax recoverable	-	-	-	-	-	644	644
Prepaid lease payments	-	-	-	-	-	1,132	1,132
Property, plant and equipment	-	-	-	-	-	4,750	4,750
Goodwill arising on consolidation	-	-	-	-	-	32,823	32,823
Intangible assets	-	-	-	-	-	982	982
Non-current assets held for sale	-	-	-	-	-	-	-
Total assets	286,896	52,505	-	-	-	321,245	667,089
Liabilities							
Deposits and placements of other financial institution	8,000	344	1,476	-	-	-	9,820
Clients' and brokers' balances	-	-	-	-	-	279,029	279,029
Payables and other liabilities	-	-	-	-	-	55,236	55,236
Borrowings	146,900	-	-	-	-	-	146,900
Total liabilities	146,900	-	-	-	-	334,265	490,985
Total interest sensitivity gap	139,996	52,161	(1,476)	-	-	-	-
Total	-	-	-	-	-	-	-

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 31 March 2010

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 31 March 2010, the Group reported a higher profit before taxation of RM4.6 million compared to a profit before taxation of RM137,000 in the previous corresponding financial quarter. This was due to better business performance from stockbroking caused by the higher Bursa Malaysia volume during the financial quarter.

(b) Current financial period under review against previous corresponding financial period

For the financial period ended 31 March 2010, the Group reported a higher profit before taxation of RM16.5 million compared to a profit before taxation of RM3.0 million in the previous corresponding financial period. This was due to better business performance from stockbroking caused by the higher Bursa Malaysia volume during the financial period.

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

For the financial quarter ended 31 March 2010, the Group reported a operating profit before tax of RM4.6 million compared to a profit of RM4.3 million for the preceding financial quarter. The increase in profit was due to higher Bursa Malaysia volume during the financial 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	
	31.03.10	31.03.09	31.03.10	31.03.09
	RM'000	RM'000	RM'000	RM'000
Tax expense/(income) on Malaysian tax				
– Current	1,220	597	4,900	1,916
– Prior year	-	-	-	(954)
	1,220	597	4,900	962

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.

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7. Status of corporate proposals

There were no corporate proposals announced but not completed as at the latest practicable date which was not earlier than 7 days from the issue of this report.

8. Group borrowings

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

9. Off-balance sheet financial instruments

The Banking subsidiary has incurred the following:

Derivatives financial instrument

	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Interest rate related contracts			
- Futures			
(i) Less than 1 year	240,000	-	-
(ii) 1 year to 3 years	480,000	140	56
(iii) More than 3 years	450,000	-	-
	<u>1,170,000</u>	<u>140</u>	<u>56</u>

Interest rate related contracts are subject to market risk.

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these type of transaction and do not represent the amount subject to market risk.

Related accounting policies

The accounting policies applied for recognising the financial instruments concerned are the same as those applied for the audited financial statements.

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.

11. Dividends

The Board of Directors does not recommended any dividend to be paid for the financial period ended 31 March 2010.

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Notes to the interim financial statements
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12. Earnings per share ("EPS")

(a) Basic earnings/loss 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	
	31.03.2010	31.03.2009	31.03.2010	31.03.2009
Net profit/loss attributable to shareholders of the Company (RM'000):	3,380	(460)	11,630	2,045
Weighted average number of Ordinary Shares in issue ('000):	237,783	240,534 [*]	237,783	240,534 [*]
Basic earnings /(loss) per share (Sen)	1.4	(0.2)	4.9	0.9

* Adjusted for rights issue completed on 22 October 2009.

(b) Fully diluted earnings per share

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

Dated this