

HONG LEONG CAPITAL BERHAD
(formerly known as HLG Capital Berhad)
(Company Number 213006-U)

INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2010

	Note	The Group		The Company	
		As at 30/09/2010 RM'000	As at 30/06/2010 RM'000	As at 30/09/2010 RM'000	As at 30/06/2010 RM'000
ASSETS					
Cash and short term funds		461,660	722,645	163	230
Securities purchased under resale agreements		134,563	-	-	-
Deposits and placements with banks and other financial institutions		90,078	45,070	-	-
Financial assets held at fair value through profit or loss	10	414,917	431,783	399	372
Financial investments available-for-sale	11	2,445	2,445	-	-
Financial investments held-to-maturity	12	89,877	10,000	-	-
Loans and advances	13	96,140	117,926	-	-
Clients' and brokers' balances	14	162,989	88,798	-	-
Other receivables	15	94,543	17,245	2,751	2,869
Statutory deposits with Bank Negara Malaysia		5,200	4,000	-	-
Tax recoverable		819	810	2,312	2,312
Investment in subsidiary companies		-	-	270,189	270,189
Deferred tax assets		51,816	53,038	-	-
Prepaid lease payments		1,131	1,131	-	-
Property and equipment		7,216	5,803	-	-
Goodwill		33,059	33,059	-	-
Intangible assets		1,353	1,339	-	-
TOTAL ASSETS		1,647,806	1,535,092	275,814	275,972
LIABILITIES					
Deposits from customers	16	38,893	31,218	-	-
Deposits and placements of banks and other financial institutions	17	849,786	600,990	-	-
Clients' and brokers' balances		385,183	262,415	-	-
Payable and other liabilities	19	43,930	314,393	919	666
Borrowings		22,000	22,000	22,000	22,000
TOTAL LIABILITIES		1,339,792	1,231,016	22,919	666

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2010.

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UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2010

	Note	The Group		The Company	
		As at 30/09/2010 RM'000	As at 30/06/2010 RM'000	As at 30/09/2010 RM'000	As at 30/06/2010 RM'000
EQUITY					
Share capital		246,896	246,896	246,896	246,896
Reserves		74,321	70,383	19,202	19,613
Treasury shares for ESOS scheme		(13,203)	(13,203)	(13,203)	(13,203)
TOTAL EQUITY		308,014	304,076	252,895	253,306
TOTAL LIABILITIES AND EQUITY					
		1,647,806	1,535,092	275,814	253,972
COMMITMENTS AND CONTINGENCIES					
	25	3,379,212	3,492,940	-	-
CAPITAL ADEQUACY					
<u>Before and after deducting proposed dividends</u>					
Core Capital Ratio		32.2%	33.1%		
Risk-Weighted Capital Ratio		32.6%	33.5%		
Net assets per share attributable to ordinary equity holder of the Company (RM)					
		1.31	1.30		

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HONG LEONG CAPITAL BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010

		Current quarter ended 30/09/2010 RM'000	Last year's quarter ended 30/09/2009 RM'000	Current year ended 30/09/2010 RM'000	Last year's ended 30/09/2009 RM'000
	Note				
<u>The Group</u>					
Operating revenue		30,864	21,734	30,864	21,734
Interest income	20	10,211	3,337	10,211	3,337
Interest expense	21	(6,668)	(1,981)	(6,668)	(1,981)
Net interest income		3,543	1,356	3,543	1,356
Other operating income	22	20,653	18,397	20,653	18,397
Net income		24,196	19,753	24,196	19,753
Other operating expenses	23	(15,810)	(12,203)	(15,810)	(12,203)
Operating profit		8,386	7,550	8,386	7,550
Write-back of impairment on loans and advances	24	491	60	491	60
Profit before tax expense		8,877	7,610	8,877	7,610
Tax expense		(2,309)	(2,246)	(2,309)	(2,246)
Net profit for the period		6,568	5,364	6,568	5,364
Earnings per RM1.00 share: - basic and diluted (sen)		2.8	4.5	2.8	4.5

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2010.

HONG LEONG CAPITAL BERHAD
(formerly known as HLG Capital Berhad)
(Company Number 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010

	Current quarter ended 30/09/2010 RM'000	Last year's quarter ended 30/09/2009 RM'000	Current year ended 30/09/2010 RM'000	Last year's ended 30/09/2009 RM'000
<u>The Group</u>				
Net profit for the period	6,568	5,364	6,568	5,364
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>6,568</u>	<u>5,364</u>	<u>6,568</u>	<u>5,364</u>

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2010.

HONG LEONG CAPITAL BERHAD
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(Company Number 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010

	Current quarter ended 30/09/2010	Last year's quarter ended 30/09/2009	Current year ended 30/09/2010	Last year's ended 30/09/2009
Note	RM'000	RM'000	RM'000	RM'000
<u>The Company</u>				
Operating revenue	48	31	48	31
Interest income	20 22	17	22	17
Interest expense	21 (211)	(1,164)	(211)	(1,164)
Net interest income	(189)	(1,147)	(189)	(1,147)
Other operating income	22 26	14	26	14
Net income	(163)	(1,133)	(163)	(1,133)
Other operating expenses	23 (248)	(265)	(248)	(265)
Operating profit	(411)	(1,398)	(411)	(1,398)
Write-back of impairment on loans and advances	24 -	-	-	-
Profit before tax expense	(411)	(1,398)	(411)	(1,398)
Tax expense	-	-	-	-
Net loss for the period	(411)	(1,398)	(411)	(1,398)
Loss per RM1.00 share: - basic and diluted (sen)	(0.2)	(1.2)	(0.2)	(1.2)

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2010.

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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010

	Current quarter ended 30/09/2010 RM'000	Last year's quarter ended 30/09/2009 RM'000	Current year ended 30/09/2010 RM'000	Last year's ended 30/09/2009 RM'000
<u>The Company</u>				
Net loss for the period	(411)	(1,398)	(411)	(1,398)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>(411)</u>	<u>(1,398)</u>	<u>(411)</u>	<u>(1,398)</u>

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2010.

HONG LEONG CAPITAL BERHAD
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(Company Number 213006-U)

INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010

	Share Capital RM'000	Shares held		Non-Distributable Reserves		Distributable Reserves		Total RM'000
		by ESOS Trust RM'000	General Reserve RM'000	Statutory Reserve RM'000	Retained Profits RM'000			
The Group								
At 1 July 2010	246,896	(13,203)	543	11,044	58,796	304,076		
- effect of adopting FRS139 At 1 July 2010, as restated	-	-	-	-	(2,630)	(2,630)		
	246,896	(13,203)	543	11,044	56,166	301,446		
Net profit for the period	-	-	-	-	6,568	6,568		
Other comprehensive income	-	-	-	-	-	-		
Total comprehensive income for the period	-	-	-	-	6,568	6,568		
At 30 September 2010	246,896	(13,203)	543	11,044	62,734	308,014		
At 1 July 2009	123,448	1,631	142,035	4,362	2,743	274,219		
Net profit for the period	-	-	-	-	5,364	5,364		
Other comprehensive income	-	-	-	-	-	-		
Total comprehensive income for the period	-	-	-	-	5,364	5,364		
At 30 September 2009	123,448	1,631	142,035	4,362	8,107	279,583		

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2010.

HONG LEONG CAPITAL BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010

	Shares held		Non-Distributable Reserves		Distributable Reserves		Total RM'000
	Share Capital RM'000	by ESOS Trust RM'000	General Reserve RM'000	Statutory Reserve RM'000	Retained Profits RM'000		
<u>The Company</u>							
At 1 July 2010	246,896	(13,203)	-	-	19,613		253,306
- effect of adopting FRS139	-	-	-	-	-		-
At 1 July 2010, as restated	246,896	(13,203)	-	-	19,613		253,306
Net loss for the period	-	-	-	-	(411)		(411)
Other comprehensive income	-	-	-	-	-		-
Total comprehensive income for the period	-	-	-	-	(411)		(411)
At 30 September 2010	246,896	(13,203)	-	-	19,202		252,895
At 1 July 2009	123,448	(3,973)	-	-	20,564		140,039
Net loss for the period	-	-	-	-	(1,398)		(1,398)
Other comprehensive income	-	-	-	-	-		-
Total comprehensive income for the period	-	-	-	-	(1,398)		(1,398)
Rights issue expenses	-	-	-	-	(129)		(129)
At 30 September 2009	123,448	(3,973)	-	-	19,037		138,512

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2010.

HONG LEONG CAPITAL BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010

	The Group		The Company	
	30/09/2010 RM'000	30/09/2009 RM'000	30/09/2010 RM'000	30/09/2009 RM'000
Profit/(loss) before tax expense	8,877	7,610	(411)	(1,398)
Adjustments for non-cash items	<u>(2,999)</u>	<u>(1,229)</u>	<u>162</u>	<u>(31)</u>
Operating profit/(loss) before changes in working capital	5,878	6,381	(249)	(1,429)
Changes in working capital:				
Net changes in operating assets	(231,736)	3,816	118	(12)
Net changes in operating liabilities	108,584	183,439	253	87
Interest received	10,315	3,337	22	17
Net taxes paid	<u>(904)</u>	<u>(175)</u>	<u>-</u>	<u>-</u>
Net cash (used in)/generated from operating activities	<u>(107,864)</u>	196,798	<u>144</u>	<u>(1,337)</u>
Net cash used in investing activities	(136,472)	(627)	-	-
Net cash used in financing activities	(6,668)	(179,860)	(211)	(129)
Net changes in cash and cash equivalents	<u>(251,004)</u>	16,311	<u>(67)</u>	<u>(1,466)</u>
Cash and cash equivalents at beginning of the period	<u>515,442</u>	107,853	<u>230</u>	<u>4,668</u>
Cash and cash equivalents at end of the period	<u><u>264,438</u></u>	<u><u>124,164</u></u>	<u><u>163</u></u>	<u><u>3,202</u></u>
Cash and cash equivalents comprise of:				
Cash and short term funds	461,660	337,618	163	3,202
Less: Remisiers' and clients' trust monies	<u>(197,222)</u>	<u>(213,454)</u>	<u>-</u>	<u>-</u>
	<u><u>264,438</u></u>	<u><u>124,164</u></u>	<u><u>163</u></u>	<u><u>3,202</u></u>

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2010.

HONG LEONG CAPITAL BERHAD
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NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010

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

1. Basis of preparation

The unaudited interim financial statements have been prepared in accordance with FRS134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB") and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The unaudited interim financial statements should be read in conjunction with the audited annual financial statements of the Group and the Company for the year ended 30 June 2010. The 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 and the Company since the year ended 30 June 2010.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 30 June 2010, except for the adoption of the following Financial Reporting Standards ("FRS"), amendments to FRSs and IC Interpretations:

- Amendments to FRS 1 "First-time Adoption of Financial Reporting Standards" and FRS 127 "Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"
- Amendments to FRS 2 "Share-based Payment Vesting Conditions and Cancellations"
- FRS 7 "Financial Instruments: Disclosures"
- Amendments to FRS 139 "Financial Instruments: Recognition and Measurement", FRS 7 "Financial Instruments: Disclosures" and IC Interpretation 9 "Reassessment of Embedded Derivatives"
- FRS 101 "Presentation of Financial Statements"
- FRS 139 "Financial Instruments: Recognition and Measurement"
- Amendment to FRS 117 "Leases"
- Amendment to FRS 119 "Employee Benefits"
- Amendment to FRS 127 "Consolidated and Separate Financial Statements"
- Amendments to FRS 132 "Financial Instruments: Presentation"
- Amendments to FRS 134 "Interim Financial Reporting"
- Amendments to FRS 138 "Intangible Assets"
- IC Interpretation 9 "Reassessment of Embedded Derivatives"
- IC Interpretation 10 "Interim Financial Reporting and Impairment "
- IC Interpretation 11 "FRS 2 Group and Treasury Share Transactions"
- IC Interpretation 14 "FRS 119 The Limit on a Defined Benefit Assets, Minimum Funding Requirement and their Interaction"
- FRS 1 "First-time Adoption of Financial Reporting Standards"
- Amendments to FRS 1 "Limited Exemption from Comparative FRS 7 Disclosures for First-Time Adopters"
- Amendments to FRS 1 "Additional Exemptions for First-time Adopters"
- Amendments to FRS 2 "Share-based Payment"
- Amendments to FRS 2 "Group Cash-settled Share-based Payment Transactions"
- FRS 3 "Business Combinations"
- Amendments to FRS 7 "Improving Disclosures about Financial Instruments"
- FRS 127 "Consolidated and Separate Financial Statements"
- Amendments to FRS 138 "Intangible Assets"
- Amendments to IC Interpretation 9 "Reassessment of Embedded Derivatives"
- IC Interpretation 4 "Determining Whether an Arrangement Contain a Lease"

1. Basis of preparation (continued)

The adoption of these FRSs, amendments to FRSs and IC Interpretations did not have any significant financial impact on the results of the Group and the Company. The principal effects of the changes in accounting policies arising from the adoption of FRS 139 and its related amendments to FRSs and IC Interpretations are disclosed in Note 33.

Amendments to FRS 139 included an additional transitional arrangement for entities in the financial sector, whereby BNM may prescribe the use of an alternative basis for collective assessment of impairment by banking institutions. This transitional arrangement, as prescribed in BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing, and its principal effects is also disclosed in Note 33.

2. Auditors' report on preceding annual financial statements

The auditors' report on the audited financial statements for the financial year ended 30 June 2010 was not qualified.

3. Comments about seasonal or cyclical factors

The operations of the Group and the Company were not materially affected by any seasonal or cyclical factors during the financial quarter ended 30 September 2010.

4. Unusual items due to their nature, size or incidence

There were no unusual items affecting the assets, liabilities, equities, net income or cash flows of the Group and the Company during the financial quarter ended 30 September 2010.

5. Change in estimate

There were no material changes in estimate of amount reported in prior financial year that have a material effect in the financial quarter ended 30 September 2010.

6. Debt and Equity Securities

There were no new issuance and repayment of debt and equity securities, share-buy-back, share cancellations, share held as treasury shares and resale of treasury shares during the financial quarter ended 30 September 2010.

- (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 for 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 of 12,287,200 shares in the Company costing RM13,203,461 inclusive of transaction costs, as at 30 September 2010.

7. Dividends

There was no dividend paid during the financial quarter ended 30 September 2010.

8. Valuations of Property, Plant and Equipment

No valuations of property, plant and equipment were carried out for the financial quarter ended 30 September 2010.

9. Subsequent Events

(a) Proposed Integration of HLG Futures Sdn Bhd and Hong Leong Investment Bank Berhad

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 would 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 Integration") 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 would be based on the value of the net assets of HLG Futures as at the Transfer Date, and would be satisfied by HLIB in cash.

The Proposed Integration was 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("SC"); 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.

The SC had, vide its letter dated 18 June 2010, informed that the transfer of HLG Futures Business to HLIB had been approved pursuant to Section 139 of the Capital Markets and Services Act 2007.

On 12 July 2010, HLIB and HLG Futures entered into a Supplemental Business Transfer Agreement to revise the Transfer Date to 2 October 2010.

On 28 July 2010, High Court had granted the approval for the Proposed Integration.

The Proposed Integration was completed on 2 October 2010.

(b) Proposed Change of Name

On the 13 August 2010, the Company announced that the Company was proposing to change its name from "HLG Capital Berhad" to "Hong Leong Capital Berhad" ("Proposed Change of Name").

The use of the name "Hong Leong Capital Berhad" was approved by the Companies Commission of Malaysia ("CCM") on 10 August 2010.

The Proposed Change of Name was subject to the approval of the shareholders of the Company at the Nineteenth Annual General Meeting to be convened, and if approved, will take effect upon the issuance of the Certificate of Incorporation on Change of Name by the CCM.

The shareholders of the Company had on 26 October 2010, approved the Proposed Change of Name. The Company had changed its name with effect from 4 November 2010.

Financial Reporting for Licensed Institutions ("BNM/GP8")**10. Financial assets held at fair value through profit or loss**

	The Group		The Company	
	As at 30/09/2010 RM'000	As at 30/06/2010 RM'000	As at 30/09/2010 RM'000	As at 30/06/2010 RM'000
Financial assets held-for-trading				
Money market instruments:				
Negotiable instruments of deposits	100,013	45,003	-	-
Bank Negara Malaysia Bills	-	188,748	-	-
Bankers acceptance	158,018	-	-	-
Quoted securities in Malaysia:				
Shares	7,237	7,117	-	-
Unit trust investment	399	372	399	372
Unquoted securities in Malaysia:				
Private debt securities	149,250	190,543	-	-
Total financial assets held-for-trading	414,917	431,783	399	372

11. Financial investments available-for-sale

	The Group	
	As at 30/09/2010 RM'000	As at 30/06/2010 RM'000
Unquoted securities in Malaysia:		
Shares	2,445	2,445
Total financial investments available-for-sale	2,445	2,445

12. Financial investments held-to-maturity

	The Group	
	As at 30/09/2010 RM'000	As at 30/06/2010 RM'000
At amortised cost		
Money market instruments:		
Negotiable instruments of deposits	30,000	10,000
Bank Negara Malaysia Bills	49,734	-
Unquoted securities in Malaysia:		
Private debt securities	10,143	-
Total financial investments held-to-maturity	89,877	10,000

HLCB Q1 (30.9.10)

13. Loans and advances

	The Group	
	As at 30/09/2010 RM'000	As at 30/06/2010 RM'000
At amortised cost		
Term loans	39,519	47,559
Share margin financing	36,785	46,647
Revolving credits	27,589	28,204
Gross loans and advances	<u>103,893</u>	<u>122,410</u>
Allowance for impaired loans and financing:		
- individual assessment allowance	(6,289)	-
- collective assessment allowance	(1,464)	-
- specific allowance	-	(2,688)
- general allowance	-	(1,796)
Net loans and advances	<u>96,140</u>	<u>117,926</u>
13a. <u>By type of customer</u>		
Domestic business enterprises		
- Others	67,141	75,533
Individuals	35,140	45,197
Foreign non-bank entities	1,612	1,680
Gross loans and advances	<u>103,893</u>	<u>122,410</u>
13b. <u>By interest rate sensitivity</u>		
Fixed rate		
- Other fixed rate loan/financing	36,785	46,647
Variable rate		
- Cost plus	67,108	75,763
Gross loans and advances	<u>103,893</u>	<u>122,410</u>
13c. <u>By residual contractual maturity</u>		
Maturity within 1 year	<u>103,893</u>	122,410
Gross loans and advances	<u>103,893</u>	<u>122,410</u>
13d. <u>By geographical distribution</u>		
Malaysia	<u>103,893</u>	122,410
Gross loans and advances	<u>103,893</u>	<u>122,410</u>
13e. <u>By economic purpose</u>		
Working capital	52,338	60,841
Purchase of securities	51,555	61,569
Gross loans and advances	<u>103,893</u>	<u>122,410</u>

13. Loans and advances (continued)

	The Group	
	As at 30/09/2010 RM'000	As at 30/06/2010 RM'000
13f. Movements in impaired loans and advances ("impaired loans") are as follows:		
Impaired loans and advances		
At 1 July		
- as previously stated	2,688	2,521
- effect of adopting FRS139	10,012	-
At 1 July, as restated	12,700	2,521
Impaired during the period/year	42	178
Recoveries	(63)	(11)
Closing balance	<u>12,679</u>	<u>2,688</u>
Gross impaired loans as a percentage of gross loans and advances	<u>12.2%</u>	<u>2.2%</u>
13g. <u>Impaired loans and advances by geographical distribution</u>		
Malaysia	<u>12,679</u>	<u>2,688</u>
13h. <u>Impaired loans and advances by economic purpose</u>		
Working Capital	9,949	-
Purchase of securities	2,730	2,688
	<u>12,679</u>	<u>2,688</u>
13i. Movements in allowance for impaired loans and advances are as follows:		
<u>Collective assessment allowance</u>		
At 1 July		
- as previously stated	-	-
- effect of adopting FRS139	1,743	-
At 1 July, as restated	1,743	-
Allowance written back during the period/year	(279)	-
Closing balance	<u>1,464</u>	<u>-</u>
As % of gross loans and advances less individual assessment allowance	<u>1.5%</u>	<u>-</u>
<u>Individual assessment allowance</u>		
At 1 July		
- as previously stated	-	-
- effect of adopting FRS139	6,247	-
At 1 July, as restated	6,247	-
Allowance made during the period/year	42	-
Closing balance	<u>6,289</u>	<u>-</u>

13. Loans and advances (continued)

	The Group	
	As at 30/09/2010 RM'000	As at 30/06/2010 RM'000
<u>General allowance</u>		
At 1 July		
- as previously stated	1,796	1,254
- effect of adopting FRS139	(1,796)	-
At 1 July, as restated	-	1,254
Allowance made during the period/year	-	542
Closing balance	-	1,796
As % of gross loans and advances less specific allowance	-	1.5%
<u>Specific allowance</u>		
At 1 July		
- as previously stated	2,688	2,521
- effect of adopting FRS139	(2,688)	-
At 1 July, as restated	-	2,521
Allowance made during the period/year	-	178
Written back during the period/year	-	(11)
Closing balance	-	2,688

14. Clients' and brokers' balances

	The Group	
	As at 30/09/2010 RM'000	As at 30/06/2010 RM'000
Performing accounts	163,824	88,664
Impaired accounts	13,697	37,813
Less: Specific allowance *	(13,697)	(37,043)
General allowance *	(204)	(9)
Interest-in-suspense *	(631)	(627)
	<u>162,989</u>	<u>88,798</u>

* In accordance with the Rules of Bursa Malaysia Securities Berhad.

15. Other receivables

	The Group		The Company	
	As at	As at	As at	As at
	30/09/2010	30/06/2010	30/09/2010	30/06/2010
	RM'000	RM'000	RM'000	RM'000
Interest receivable	4,963	4,009	-	-
Derivative financial instruments (Note 18)	132	23	-	-
Amount due from subsidiary companies	-	-	2,744	2,864
Amount due from unit trust funds	74,356	-	-	-
Deposits and prepayments	5,226	4,913	7	5
Other receivables	9,050	7,949	-	-
Manager's stocks and promotional items	816	351	-	-
	94,543	17,245	2,751	2,869

16. Deposits from customers

	The Group	
	As at	As at
	30/09/2010	30/06/2010
	RM'000	RM'000
16a. By type of deposit		
Fixed deposits	38,893	31,218
16b. By type of customer		
Business enterprises	38,392	31,218
Individuals	501	-
	38,893	31,218
16c. The maturity structure of fixed deposits are as follows :		
Due within six months	38,893	31,218

17. Deposits and placements of banks and other financial institutions

	The Group	
	As at	As at
	30/09/2010	30/06/2010
	RM'000	RM'000
Licensed banks	23,513	61,000
Licensed investment banks	113,500	265,331
Other financial institutions	712,773	274,659
	849,786	600,990

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18. Derivative financial instruments

	The Group	
	As at 30/09/2010 RM'000	As at 30/06/2010 RM'000
Derivatives at fair value through profit or loss		
- Interest rate swaps	132	23
Total derivative financial assets	<u>132</u>	<u>23</u>
Derivatives at fair value through profit or loss		
- Futures	2,433	1,194
Total derivative financial liabilities	<u>2,433</u>	<u>1,194</u>

19. Payables and other liabilities

	The Group		The Company	
	As at 30/09/2010 RM'000	As at 30/06/2010 RM'000	As at 30/09/2010 RM'000	As at 30/06/2010 RM'000
Amount due to holding company	2	2	2	2
Amount due to subsidiary companies	-	-	143	-
Amount due to related companies	1,320	1,039	26	25
Remisiers' trust deposits	10,534	11,122	-	-
Derivative financial instruments (Note 18)	2,433	1,194	-	-
Other payables and accrued liabilities	28,177	299,539	668	629
Interest payable	562	791	80	10
Provision for taxation	396	204	-	-
Post employment benefits obligation - defined contribution plan	506	502	-	-
	<u>43,930</u>	<u>314,393</u>	<u>919</u>	<u>666</u>

20. Interest income

	Current quarter ended 30/09/2010 RM'000	Last year's quarter ended 30/09/2009 RM'000	Current year ended 30/09/2010 RM'000	Last year's ended 30/09/2009 RM'000
The Group				
Loan and advances	1,505	817	1,505	817
Money at call and deposits placements with banks and other financial institutions	3,420	435	3,420	435
Financial assets held at fair value through profit or loss	4,442	-	4,442	-
Financial investments available-for-sale	522	1,295	522	1,295
Financial investments held-to-maturity	295	-	295	-
Others	131	790	131	790
	<u>10,315</u>	<u>3,337</u>	<u>10,315</u>	<u>3,337</u>
Accretion of discount less amortisation of premium	(104)	-	(104)	-
Total interest income	<u>10,211</u>	<u>3,337</u>	<u>10,211</u>	<u>3,337</u>
Of which:				
Interest income earned on impaired loans and advances	<u>99</u>	<u>-</u>	<u>99</u>	<u>-</u>

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20. Interest income (continued)

	Current quarter ended 30/09/2010 RM'000	Last year's quarter ended 30/09/2009 RM'000	Current year ended 30/09/2010 RM'000	Last year's ended 30/09/2009 RM'000
The Company				
Money at call and deposits placements with banks and other financial institutions	22	17	22	17

21. Interest expense

	Current quarter ended 30/09/2010 RM'000	Last year's quarter ended 30/09/2009 RM'000	Current year ended 30/09/2010 RM'000	Last year's ended 30/09/2009 RM'000
The Group				
Deposits and placements of banks and other financial institutions	1,844	18	1,844	18
Deposits from customers	4,566	760	4,566	760
Borrowings	258	1,203	258	1,203
Total interest expense	<u>6,668</u>	<u>1,981</u>	<u>6,668</u>	<u>1,981</u>
The Company				
Borrowings	<u>211</u>	<u>1,164</u>	<u>211</u>	<u>1,164</u>

22. Other operating income

	Current quarter ended 30/09/2010 RM'000	Last year's quarter ended 30/09/2009 RM'000	Current year ended 30/09/2010 RM'000	Last year's ended 30/09/2009 RM'000
The Group				
(a) Fee income:				
Fee on loans and advances	1,349	108	1,349	108
Arranger fees	1,459	495	1,459	495
Corporate advisory fees	1,590	-	1,590	-
Brokerage commissions	10,076	12,222	10,076	12,222
Net commission from futures business	225	-	225	-
Net unit trust and asset management income	4,579	4,289	4,579	4,289
Other fee income	352	434	352	434
	<u>19,630</u>	<u>17,548</u>	<u>19,630</u>	<u>17,548</u>
(b) Net gain arising from sale of securities - held at fair value through profit or loss	<u>1,389</u>	<u>-</u>	<u>1,389</u>	<u>-</u>
	<u>1,389</u>	<u>-</u>	<u>1,389</u>	<u>-</u>

22. Other operating income (continued)

	Current quarter ended 30/09/2010 RM'000	Last year's quarter ended 30/09/2009 RM'000	Current year ended 30/09/2010 RM'000	Last year's ended 30/09/2009 RM'000
The Group (continued)				
(c) Gross dividend from: - held at fair value through profit or loss	269	299	269	299
	<u>269</u>	<u>299</u>	<u>269</u>	<u>299</u>
(d) Unrealised (loss)/gain on revaluation of securities held at fair value through profit or loss	(657)	373	(657)	373
(f) Other income	22	177	22	177
Total other operating income	<u><u>20,653</u></u>	<u><u>18,397</u></u>	<u><u>20,653</u></u>	<u><u>18,397</u></u>
The Company				
(a) Unrealised gain on revaluation of securities held at fair value through profit or loss	26	14	26	14
Total other operating income	<u><u>26</u></u>	<u><u>14</u></u>	<u><u>26</u></u>	<u><u>14</u></u>

23. Other operating expenses

	Current quarter ended 30/09/2010 RM'000	Last year's quarter ended 30/09/2009 RM'000	Current year ended 30/09/2010 RM'000	Last year's ended 30/09/2009 RM'000
The Group				
Personnel costs	7,501	5,633	7,501	5,633
- Salaries, allowances and bonuses	6,204	4,693	6,204	4,693
- Others	1,297	940	1,297	940
Establishment costs	4,827	3,547	4,827	3,547
- Depreciation of property and equipment	543	431	543	431
- Amortisation of intangible assets	208	124	208	124
- Rental	1,339	1,101	1,339	1,101
- Information technology expenses	1,456	1,194	1,456	1,194
- Others	1,281	697	1,281	697
Marketing expenses	606	494	606	494
- Advertisement and publicity	181	194	181	194
- Entertainment and business improvement	219	149	219	149
- Others	206	151	206	151
Administration and general expenses	2,876	2,529	2,876	2,529
- Management fees	492	470	492	470
- Teletransmission expenses	365	278	365	278
- Audit fees	47	113	47	113
- Legal and professional fees	872	918	872	918
- Others	1,100	750	1,100	750
	15,810	12,203	15,810	12,203
The Company				
Personnel costs	45	38	45	38
- Salaries, allowances and bonuses	33	31	33	31
- Others	12	7	12	7
Establishment costs	8	(1)	8	(1)
- Rental	5	-	5	-
- Others	3	(1)	3	(1)
Marketing expenses	4	7	4	7
- Others	4	7	4	7
Administration and general expenses	191	221	191	221
- Teletransmission expenses	1	6	1	6
- Audit fees	7	6	7	6
- Legal and professional fees	14	42	14	42
- Others	169	167	169	167
	248	265	248	265

24. Write-back of impairment on loans and advances

	Current quarter ended 30/09/2010 RM'000	Last year's quarter ended 30/09/2009 RM'000	Current year ended 30/09/2010 RM'000	Last year's ended 30/09/2009 RM'000
The Group				
Allowance for/(write-back of) losses impaired loans and advances:				
Specific allowance				
- written back during the period	-	(11)	-	(11)
- made during the period	-	65	-	65
General allowance write-back				
during the period	-	(52)	-	(52)
Individual assessment allowance				
- made during the period	42	-	42	-
Collective assessment allowance				
write-back during the period	(279)	-	(279)	-
Allowance for losses on clients' and brokers' balances:				
Specific allowance				
- written back during the period	(525)	(35)	(525)	(35)
- made during the period	130	-	130	-
General allowance made/(write-back)				
during the period	195	(27)	195	(27)
Bad debts on clients' and brokers' balances				
-Recovered	(54)	-	(54)	-
	<u>(491)</u>	<u>(60)</u>	<u>(491)</u>	<u>(60)</u>

25. Commitments and contingencies

The Group 30 September 2010	Principal Amount RM'000	Positive Fair Value of Derivatives Contracts RM'000	Credit Equivalent ¹ RM'000	Risk Weighted Amount RM'000
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Commitments and contingent liabilities

Any commitment that are unconditionally cancelled at any time by the bank without prior notice

- maturity less than 1 year

269,212	
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Derivative Financial Instruments

Interest rate related contracts:

- One year or less

- Over one year to five years

680,000	-	-	-
2,430,000	132	3,332	666
<u>3,110,000</u>	<u>132</u>	<u>3,332</u>	<u>666</u>
<u>3,379,212</u>	<u>132</u>	<u>3,332</u>	<u>666</u>

30 June 2010

Commitments and contingent liabilities

Any commitment that are unconditionally cancelled at any time by the bank without prior notice

- maturity less than 1 year

267,940	
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Derivative Financial Instruments

Interest rate related contracts:

- One year or less

- Over one year to five years

680,000	-	-	-
2,545,000	21	1,021	204
<u>3,225,000</u>	<u>21</u>	<u>1,021</u>	<u>204</u>
<u>3,492,940</u>	<u>21</u>	<u>1,021</u>	<u>204</u>

The credit equivalent amount and risk weighted amount are arrived at using the credit conversion factors and risk weights as defined in the BNM's revised Risk-weighted Capital Adequacy Framework ("RWCAF").

26. Capital adequacy

The capital adequacy ratios of Hong Leong Investment Bank ("HLIB") as at the following dates:

	HLIB	
	As at 30/09/2010	As at 30/06/2010
<u>Before and after deducting proposed dividends</u>		
Core capital ratio	32.2%	33.1%
Risk-weighted capital ratio	<u>32.6%</u>	<u>33.5%</u>

	HLIB	
	As at 30/09/2010 RM'000	As at 30/06/2010 RM'000

Components of Tier I and Tier II capital:

<u>Tier I capital</u>		
Paid-up share capital	265,535	265,535
Retained profit	10,644	10,644
Statutory reserves	<u>11,044</u>	<u>11,044</u>
	287,223	287,223
Less: Goodwill	(30,236)	(30,236)
Deferred tax assets (net)	<u>(52,597)</u>	<u>(52,597)</u>
Total Tier I capital	<u>204,390</u>	<u>204,390</u>
<u>Tier II capital</u>		
Redeemable preference shares ("RPS")	1,631	1,631
Collective assessment allowance	1,668	-
General allowance	-	1,805
Total tier II capital	<u>3,299</u>	<u>3,436</u>
Total capital	207,689	207,826
Less: Investment in subsidiary companies	<u>(588)</u>	<u>(588)</u>
Capital base	<u>207,101</u>	<u>207,238</u>

The capital adequacy ratios of HLIB are computed in accordance with BNM's revised Risk-Weighted Capital Adequacy Framework ("RWCAF-Basel II"). HLIB have adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% (2010 - 8.00%) for the risk-weighted capital ratio.

27. Segmental reporting

(a) Segment information by activities for the financial year ended 30 September 2010.

	Fund management					Consolidated
	Investment banking and stockbroking	and unit trust management	Futures and options broking	Investment holding and others	Elimination	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30 September 2010						
REVENUE & EXPENSES						
Revenue						
Net Interest income	3,255	344	79	(135)	-	3,543
Non interest income	15,717	4,579	225	132	-	20,653
Results						
Profit / (loss) from operations	7,918	1,272	(33)	(280)	-	8,877
Taxation						(2,309)
Profit after taxation						6,568
30 September 2009						
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

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

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28. Property and equipment

The valuations of property and equipment have been brought forward without amendment from the financial statements for the financial year ended 30 June 2010.

29. Changes in composition of the Group

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

30. Capital commitments

There were no capital commitments for the purchase of property and equipment as at 30 September 2010.

31. Changes in contingent liabilities

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

HLG Unit Trust Bhd, a wholly-owned subsidiary of the Company, is the Manager of HLG Sectoral Fund ("Funds") which comprises of 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 June 2010.

32. 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.

33. Change in accounting policies and prior year adjustments

With effect from 1 January 2005, the BNM's Revised Guidelines on Financial Reporting for Licensed Institutions ('BNM/GP8') whereby certain principles in connection with the recognition, derecognition and measurement of financial instruments and hedge accounting are similar to those prescribed by FRS 139, have been adopted by the Group and the Company. Therefore, the adoption of FRS 139 on 1 July 2010 has resulted in the following material changes in accounting policies as follows:

1) Impairment of loans and advances

Prior to 1 July 2010, the Group loan loss allowances were determined in accordance with the BNM/GP3 Guidelines on the Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts ('BNM/GP3').

Under FRS 139, the Group first assesses individually whether objective evidence of impairment exists individually for loans.

Loan impairment is calculated as the difference between the carrying amount and the present value of future expected cash flows discounted at the original effective interest rate ('EIR') of loans, advances and financing. The carrying amount of the loans, advances and financing is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

In the Amendments to FRS 139 listed above, MASB has included an additional transitional arrangement for entities in the financial sector, whereby BNM may prescribe an alternative basis for collective assessment of impairment by banking institutions. This transitional arrangement is prescribed in BNM's guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010, whereby banking institutions are required to maintain collective assessment impairment allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowance. Subject to the written approval by BNM, banking institutions are allowed to maintain a lower collective assessment impairment allowance. The collective assessment impairment allowances of the Group as at the reporting date have been arrived at based on this transitional arrangement issued by BNM.

33. Change in accounting policies and prior year adjustments (continued)1) Impairment of loans and advances (continued)

The adoption of FRS 139 and the transitional provision has resulted in the following adjustments against the retained profit of the Group as at 1 July 2010:

	The Group RM'000
i) Write back of specific allowance	(2,688)
ii) Write back of general allowance	(1,796)
iii) Opening adjustment in collective assessment allowance	1,743
iv) Opening adjustment in individual assessment allowance	6,247
v) Opening adjustment in deferred tax assets	<u>(876)</u>

2) Interest Income Recognition

Prior to 1 July 2010, interest on loans, advances and financing was recognised in the income statement at contracted interest rates. FRS 139 requires interest income to be recognised on an EIR basis. The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the loan or, when appropriate, a shorter period to the net carrying amount of the loan.

Prior to the adoption of FRS 139, where a loan becomes non-performing, interest accrued and recognised as income prior to the date the loans are classified as non-performing are reversed out of the income statement and set off against the accrued interest receivable account in the balance sheet. Subsequently, the interest earned on the non-performing loans shall be recognised as income on cash basis.

Upon adoption of FRS 139, once a loan has been written down due to impairment loss, interest income is recognised based on the interest rate used to discount the future cash flows for the purpose of measuring impairment loss.

3) Recognition of Embedded Derivatives

Upon the adoption of FRS 139, embedded derivatives are to be separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to that of the host contract.

Based on the assessment by the Group and the Company upon adoption of FRS 139 on 1 July 2010, there were no embedded derivatives which were not closely related to the host contracts and which required bifurcation.

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Explanatory Notes Pursuant to Appendix 9B of the Main Market 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 September 2010, the Group reported a higher profit before taxation of RM8.9 million as compared to the profit before taxation of RM7.6 million in the previous corresponding financial quarter. This was due to higher contribution from investment banking which commenced its business activities at the end of September 2009.

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

For the financial period ended 30 September 2010, the Group reported a higher profit before taxation of RM8.9 million compared to the profit before taxation of RM7.6 million in the previous corresponding financial period. This was due to higher contribution from investment banking which commenced its business activities at the end of September 2009.

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

For the financial quarter ended 30 September 2010, the Group reported a operating profit before tax of RM8.9 million compared to the profit of RM3.9 million for the preceding financial quarter. The increase in profit was due to higher investment banking income during the financial quarter.

2. Prospects for the current financial year

The Group is expected to show satisfactory performance in the financial year ending 30 June 2011 with improving profitability via diversification of income source from more extensive investment banking activities.

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		Financial period ended	
	30/09/10	30/09/09	30/09/10	30/09/09
	RM'000	RM'000	RM'000	RM'000
Tax expense on Malaysian tax				
– Current	331	344	331	344
Deferred tax	1,978	1,902	1,978	1,902
	2,309	2,246	2,309	2,246

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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.

7. Status of corporate proposals

There were no corporate proposals announced but not completed as at the latest practicable date which was not earlier.

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:

<u>Derivatives financial instrument</u>	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Interest rate related contracts			
- Interest rate swap	80,000	132	-
- Futures			
(i) Less than 1 year	680,000	-	92
(ii) 1 year to 3 years	1,190,000	-	971
(iii) More than 3 years	1,160,000	-	1,370
	<u>3,030,000</u>	<u>132</u>	<u>2,433</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 types of transactions 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.

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10. 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.

11. Dividends

The Board of Directors does not recommended any dividend to be paid for the financial quarter ended 30 September 2010.

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	
	30/09/10	30/09/09	30/09/10	30/09/09
Net profit attributable to shareholders of the Company (RM'000):	6,568	5,364	6,568	5,364
Weighted average number of Ordinary Shares in issue	234,609	119,541	234,609	119,541
Basic earnings per share (sen)	2.8	4.5	2.8	4.5

(b) Fully diluted earnings per share

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