

# HLG Capital Berhad

## Condensed Consolidated Balance Sheet

As at 31 December 2009

THE GROUP	Note	As at current financial period ended 31 December 2009 RM'000	As at preceding financial year ended 30 June 2009 RM'000
<b>ASSETS</b>			
Cash and short term funds		305,472	317,387
Deposits and placements with banks and other financial institutions		59	73
Securities held at fair value through profit or loss	8	7,180	6,443
Available-for-sale securities	9	182,437	2,445
Loans and advances	10	94,408	82,339
Clients' and brokers' balances	11	85,149	145,762
Other receivables		21,035	13,854
Statutory deposit with Bank Negara Malaysia		910	-
Tax recoverable		531	644
Deferred tax assets		55,519	58,455
Prepaid lease payments		1,132	1,132
Property and equipment		4,922	4,750
Goodwill arising on consolidation	12	33,058	32,823
Intangible assets		1,353	982
<b>TOTAL ASSETS</b>		<b>793,165</b>	<b>667,089</b>
<b>LIABILITIES</b>			
Deposit from customers	13	196,561	-
Deposits and placement of banks and other financial institutions	14	1,824	9,820
Clients' and brokers' balances		242,088	279,029
Payables and other liabilities		21,725	55,236
Borrowings		27,500	146,900
		<b>489,698</b>	<b>490,985</b>
<b>EQUITY</b>			
Share capital		246,896	123,448
Reserves		64,488	56,629
Treasury shares for ESOS scheme		(7,917)	(3,973)
Shareholders' equity		<b>303,467</b>	<b>176,104</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>793,165</b>	<b>667,089</b>
<b>COMMITMENT AND CONTINGENCIES</b>	20	<b>331,726</b>	<b>327,475</b>
<b>Net assets per share attributable to ordinary equity holders of the parent (sen)*</b>		<b>127 sen</b>	<b>147 sen</b>

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 December 2009

THE GROUP	Note	Individual Quarter		Cumulative Quarter	
		Current quarter ended 31-Dec-09 RM'000	Last quarter ended 31-Dec-08 RM'000	Current year ended 31-Dec-09 RM'000	Last year ended 31-Dec-08 RM'000
Interest Income	15	3,694	2,478	7,031	4,448
Interest expense	16	(1,449)	(825)	(3,430)	(1,010)
Net interest income		2,245	1,653	3,601	3,438
Non Interest Income	17	18,514	9,782	36,911	20,440
Net Income		20,759	11,435	40,512	23,878
Other Operating Expenses	18	(16,128)	(10,991)	(28,329)	(20,499)
Operating profit before allowances		4,631	444	12,183	3,379
Allowance for losses on loans and advances and other losses	19	(313)	(405)	(253)	(509)
Profit before taxation		4,318	39	11,930	2,870
Taxation		(1,435)	(548)	(3,680)	(365)
Net profit for the financial period		2,883	(509)	8,250	2,505
Earnings per share (sen)					
Basic		1.2	(0.2)	3.5	1.0
Fully diluted		1.2	(0.2)	3.5	1.0

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 December 2009**

THE COMPANY	Note	As at current financial period ended 31 Dec 2009 RM'000	As at preceding financial year ended 30 June 2009 RM'000
<b>ASSETS</b>			
Cash and short term funds		1,472	4,668
Securities held at fair value through profit or loss		361	342
Other receivables		11,083	11,148
Tax recoverable		1,363	1,363
Investment in subsidiary companies		270,189	270,189
<b>TOTAL ASSETS</b>		<b>284,468</b>	<b>287,710</b>
<b>LIABILITIES</b>			
Payables and other liabilities		392	771
Borrowings		27,500	146,900
		<b>27,892</b>	<b>147,671</b>
<b>EQUITY</b>			
Share capital		246,896	123,448
Reserves		17,597	20,564
Treasury shares for ESOS scheme		(7,917)	(3,973)
Shareholders' equity		<b>256,576</b>	<b>140,039</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>284,468</b>	<b>287,710</b>

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 December 2009

	Note	Individual Quarter		Cumulative Quarter	
		Current quarter ended 31-Dec-09 RM'000	Last quarter ended 31-Dec-08 RM'000	Current year ended 31-Dec-09 RM'000	Last year ended 31-Dec-08 RM'000
<b>THE COMPANY</b>					
Interest income	15	79	85	96	148
Interest expense	16	(476)	(759)	(1,640)	(851)
Net interest expenses		(397)	(674)	(1,544)	(703)
Non interest income	17	6	(19)	20	(21)
Net income		(391)	(693)	(1,524)	(724)
Other operating expenses	18	(787)	(273)	(1,052)	(630)
Loss before taxation		(1,178)	(966)	(2,576)	(1,354)
Taxation		-	-	-	954
Net (loss)/profit for the financial period		(1,178)	(966)	(2,576)	(400)

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 December 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	51,724	176,104
Net profit for the financial period	-	-	-	-	8,250	8,250
Rights issue	123,448	(3,944)	-	-	-	119,504
Rights issue expenses	-	-	-	-	(391)	(391)
As at 31 December 2009	246,896	(7,917)	543	4,362	59,583	303,467
As at 1 July 2008	123,448	(3,568)	543	-	50,334	170,757
Net profit for the financial year	-	-	-	-	2,505	2,505
Dividend Paid	-	-	-	-	(6,723)	(6,723)
Purchase during the year	-	(401)	-	-	-	(401)
As at 31 December 2008	123,448	(3,969)	543	-	46,116	166,138

## Condensed Statement of Changes in Equity For the financial quarter ended 31 December 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	-	-	-	-	(2,576)	(2,576)
Rights issue	123,448	(3,944)	-	-	-	119,504
Rights issue expenses	-	-	-	-	(391)	(391)
As at 31 December 2009	246,896	(7,917)	-	-	17,597	256,576
As at 1 July 2008	123,448	(3,568)	-	-	26,426	146,306
Net loss for the financial year	-	-	-	-	(400)	(400)
Dividend Paid	-	-	-	-	(6,723)	(6,723)
Purchase during the year	-	(401)	-	-	-	(401)
As at 31 December 2008	123,448	(3,969)	-	-	19,303	138,782

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 December 2009**

	Cumulative Quarter			
	The Group		The Company	
	31-Dec-09 RM'000	31-Dec-08 RM'000	31-Dec-09 RM'000	31-Dec-08 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit/(loss) before taxation	11,930	2,870	(2,576)	(1,354)
Adjustments for non-cash items	(3,410)	464	1,525	724
Operating profit/(loss) before working capital changes	8,520	3,334	(1,051)	(630)
Net increase/(decrease) working capital	179,740	17,856	(316)	(77,767)
Cash generated from/(used in) operations	188,260	21,190	(1,367)	(78,397)
Net income tax (paid )/refund	(570)	(102)	-	1,153
Interest received	7,031	2,235	96	148
Net cash generated from/(used in) operating activities	194,721	23,323	(1,271)	(77,096)
Net cash used in investing activities	(1,471)	(72,119)	-	-
Net cash (used in)/generated from financing activities	(183,708)	78,176	(1,925)	77,326
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	9,542	29,380	(3,196)	230
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD</b>	107,853	113,036	4,668	23,263
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD</b>	117,395	142,416	1,472	23,493
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>				
Short term fund	305,472	284,179	1,472	23,493
Less: Monies held in trust	(188,077)	(141,763)	-	-
	117,395	142,416	1,472	23,493

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 December 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 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 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 December 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 31 December 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 31 December 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 31 December 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 7,887,200 shares in the Company costing RM7,916,981 inclusive of transaction costs, as at 31 December 2009.

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

- (c) The Company had, on 22 October 2009, increased the issued and paid up share capital from 123,448,334 to 246,896,668 by the issuance of new ordinary shares of RM1 each.

**7. Dividends paid**

There was no dividend paid during the financial quarter ended 31 December 2009.

**8. Securities held at fair value through profit or loss**

*At fair value*

Quoted securities:

Shares  
 Unit trust

The Group	
As at 31.12.09	As at 30.6.09
RM'000	RM'000
6,818	6,101
362	342
<u>7,180</u>	<u>6,443</u>

**9. Available-for-sale securities**

*At fair value*

Unquoted securities at fair value

Private debt securities  
 Shares

179,992	-
2,445	2,445
<u>182,437</u>	<u>2,445</u>



HLG Capital Berhad  
Notes to the interim financial statements  
for the financial quarter ended 31 December 2009

	The Group	
	As at	As at
	31.12.09	30.6.09
	RM'000	RM'000
<b>10. Loans and advances</b>		
<b>(i) By type of financing</b>		
Term loans	19,497	-
Revolving credit	29,676	31,112
Share Financing	49,314	55,002
Gross loans and advances	<u>98,487</u>	<u>86,114</u>
Allowance for losses on loans and advances		
- Specific	(2,641)	(2,521)
- General	(1,438)	(1,254)
Net loans and advances	<u>94,408</u>	<u>82,339</u>
<b>(ii) By type of customers</b>		
Domestic business enterprises		
- Others	49,954	29,776
Individuals	45,330	53,359
Foreign non-bank entities	3,203	2,979
Gross loans and advances	<u>98,487</u>	<u>86,114</u>
<b>(iii) By interest/profit rate sensitivity</b>		
Fixed rate		
Other fixed rate loan	49,314	55,002
	<u>49,314</u>	<u>55,002</u>
Variable rate		
Cost-plus	49,173	31,112
Gross loans and advances	<u>98,487</u>	<u>86,114</u>
<b>(iv) By economic purposes</b>		
Working capital	33,949	15,598
Purchase of securities	64,538	70,516
Gross loans and advances	<u>98,487</u>	<u>86,114</u>
<b>(v) Non-performing loans by economic purposes</b>		
Purchase of securities	2,641	2,521
Gross non-performing loans and advances	<u>2,641</u>	<u>2,521</u>
<b>(vi) Movements in the non-performing loans and advances:</b>		
At beginning of the year	2,521	361
Non performing during the year	131	1,085
Recoveries	(11)	(39)
Amount transferred in respect of acquisition	-	1,114
	<u>2,641</u>	<u>2,521</u>
Less : Specific allowance	(2,641)	(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 December 2009

10. Loans and advances (contd.)	The Group	
	As at 31.12.09 RM'000	As at 30.6.09 RM'000
<b>(vii) Movements in the allowance for losses on loans and advances are as follows:</b>		
<u>Specific allowance</u>		
At beginning of the year	2,521	361
Allowances made/(written back) to income statement	120	1,046
Allowances transfer in respect of acquisition	-	1,114
	<u>2,641</u>	<u>2,521</u>
<u>General allowance</u>		
At beginning of the year	1,254	384
Allowance made/(written back) to income statement	184	168
Allowances transfer in respect of acquisition	-	702
	<u>1,438</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	133,466	192,472
Non-performing accounts – Bad	73,478	73,406
– Doubtful	75	53
	<u>207,019</u>	<u>265,931</u>
Less: Allowances for bad and doubtful debts		
- specific	(73,666)	(73,432)
- general	(10)	(50)
- interest in suspense	(48,194)	(46,687)
	<u>85,149</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	245	-
Allowances written back during the financial year	(11)	(2,600)
Balance as at the end of the financial year	<u>73,666</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	(40)	(118)
Balance as at the end of the financial year	<u>10</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	1,507	2,693
Balance as at the end of the financial year	<u>48,194</u>	<u>46,687</u>

HLG Capital Berhad  
Notes to the interim financial statements  
for the financial quarter ended 31 December 2009

The Group	
As at 31.12.09	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	-	83,749
Merger expenses	235	1,647
Impairment loss on goodwill	-	(57,236)
	33,058	32,823

**13. Deposits from customers**

Fixed deposits	196,561	-
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**The maturity structure of fixed deposits :**

Due within six months	196,561	-
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**The deposits from customer are source from the following types of customers:**

Business enterprise	180,561	-
Individuals	16,000	-
	196,561	-

**14. Deposits and placement of banks and other financial institutions**

Other financial institutions	1,824	9,820
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<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
Current quarter ended 31.12.09	Last quarter ended 31.12.08	Current year ended 31.12.09	Last year ended 31.12.08
RM'000	RM'000	RM'000	RM'000

**15. Interest Income**

**The Group**

Loans and advances				
- Interest income other than recoveries from NPLs	1,484	1,239	3,015	2,214
Money at call and deposit placements with financial institutions	595	1,041	1,030	1,935
Available-for-sale securities	1,563	-	2,858	-
Others	52	198	128	299
	3,694	2,478	7,031	4,448

**The Company**

Money at call and deposit placements with financial institutions	79	85	96	148
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**16. Interest Expense**

**The Group**

Borrowings	514	825	1,717	1,010
Deposits and placements of banks and other financial institutions	13	-	31	-
Deposits from other customers	922	-	1,682	-
	1,449	825	3,430	1,010

**The Company**

Borrowings	476	759	1,640	851
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HLG Capital Berhad  
Notes to the interim financial statements  
for the financial quarter ended 31 December 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>31.12.09</u>	<u>31.12.08</u>	<u>31.12.09</u>	<u>31.12.08</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b>17. Non Interest Income</b>				
<b><u>The Group</u></b>				
(a) Fee income:				
Net brokerage from stockbroking business	9,433	5,538	21,606	9,925
Net unit trust and asset management income	4,625	4,453	8,914	10,351
Net commission from futures business	193	281	430	628
Other fee income	2,655	264	3,803	568
	<u>16,906</u>	<u>10,536</u>	<u>34,753</u>	<u>21,472</u>
(b) Net trading income:				
Net unrealised gain/(loss) on revaluation of securities held at fair value through profit or loss	364	(1,042)	737	(1,819)
	<u>364</u>	<u>(1,042)</u>	<u>737</u>	<u>(1,819)</u>
(c) Dividend income from:				
Securities quoted in Malaysia				
Securities held at fair value through profit or loss	299	25	299	385
Unquoted securities:				
Available-for-sale investments	-	-	-	-
	<u>299</u>	<u>25</u>	<u>299</u>	<u>385</u>
(d) Other income:				
Gain on disposal of property, plant and equipment	192	5	248	5
Other non operating income	753	258	874	397
	<u>945</u>	<u>263</u>	<u>1,122</u>	<u>402</u>
Total Non Interest Income	<u>18,514</u>	<u>9,782</u>	<u>36,911</u>	<u>20,440</u>
<b><u>The Company</u></b>				
(a) Net trading income:				
Gain/(loss) arising from trading in securities held at fair value through profit or loss				
- unrealised gain/(loss)	6	(19)	20	(21)
	<u>6</u>	<u>(19)</u>	<u>20</u>	<u>(21)</u>
(b) Other income:				
Other non operating income	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Non Interest Income	<u>6</u>	<u>(19)</u>	<u>20</u>	<u>(21)</u>

HLG Capital Berhad  
Notes to the interim financial statements  
for the financial quarter ended 31 December 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>31.12.09</u>	<u>31.12.08</u>	<u>31.12.09</u>	<u>31.12.08</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b>18. Other operating expenses</b>				
<b><u>The Group</u></b>				
<b><u>Personnel costs</u></b>				
Salaries, allowances and bonuses	7,711	4,641	12,404	8,740
Others	1,850	1,486	2,790	2,377
<b><u>Establishment costs</u></b>				
Rental of premises	1,101	913	2,202	1,531
Depreciation of property and equipment	456	397	887	726
Amortisation of intangible assets	165	71	288	150
Amortisation of prepaid lease payments	-	-	-	-
Information technology expenses	1,193	769	2,388	1,512
Others	461	471	1,157	832
<b><u>Marketing expenses</u></b>				
Advertisement and publicity	191	157	384	326
Others	256	440	556	855
<b><u>Administration and general expenses</u></b>				
Telecommunication costs	290	254	569	549
Printing & stationery	175	53	286	134
Others	2,279	1,339	4,418	2,767
Total overhead expenses	<u>16,128</u>	<u>10,991</u>	<u>28,329</u>	<u>20,499</u>
<b><u>Company</u></b>				
<b><u>Personnel costs</u></b>				
Salaries, allowances and bonuses	221	72	252	145
Others	213	29	220	56
<b><u>Establishment costs</u></b>				
Others	7	1	6	2
<b><u>Marketing expenses</u></b>				
Others	9	-	16	1
<b><u>Administration and general expenses</u></b>				
Telecommunication costs	14	2	20	10
Printing & stationery	4	5	6	6
Others	319	164	532	410
Total overhead expenses	<u>787</u>	<u>273</u>	<u>1,052</u>	<u>630</u>

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	<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>31.12.09</u>	<u>31.12.08</u>	<u>31.12.09</u>	<u>31.12.08</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b>19. Allowance for Losses on Loans, Advances and Other Losses</b>				
<u>The Group</u>				
Allowance for losses on loans and advances				
Specific allowance				
- Made during the financial year	66	301	120	972
- Written back	-	-	-	-
General allowance (net)				
- Made during the financial year	196	-	135	-
- Written back	-	(33)	-	(7)
	<u>262</u>	<u>268</u>	<u>255</u>	<u>965</u>
Allowance for losses on clients' and brokers' balances				
Specific allowance				
- Made during the financial year	24	182	-	-
- Written back	-	-	(11)	(411)
General allowance (net)				
- Made during the financial year	27	-	9	-
- Written back	-	(45)	-	(45)
	<u>51</u>	<u>137</u>	<u>(2)</u>	<u>(456)</u>
<b>Total allowance for losses</b>	<u>313</u>	<u>405</u>	<u>253</u>	<u>509</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.

	31 December 2009			30 June 2009		
	<u>Principal</u>	<u>Credit</u>	<u>Risk</u>	<u>Principal</u>	<u>Credit</u>	<u>Risk</u>
	<u>Amount</u>	<u>Equivalent</u>	<u>Weighted</u>	<u>Amount</u>	<u>Equivalent</u>	<u>Weighted</u>
	<u>RM ' 000</u>	<u>RM ' 000</u>	<u>Amount</u>	<u>RM ' 000</u>	<u>RM ' 000</u>	<u>Amount</u>
	<u>RM ' 000</u>	<u>RM ' 000</u>	<u>RM ' 000</u>	<u>RM ' 000</u>	<u>RM ' 000</u>	<u>RM ' 000</u>
Any commitments that are unconditionally cancelled at any time by the bank without prior notice	331,726	-	-	327,475	-	-
- maturity less than 1 year	-	-	-	-	-	-
	<u>331,726</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.

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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 December 2009 met the minimum requirement.

<b>Capital adequacy ratio of Hong Leong Investment Bank Berhad</b>	<b>As at 31.12.09 RM'000</b>	<b>As at 30.6.09 RM'000</b>
<b><u>Components of Tier I and Tier II capital:</u></b>		
<b>Tier-1 capital</b>		
Paid-up share capital	123,500	123,500
Accumulated losses (excluding deferred taxation)	(54,229)	(54,229)
Other reserves:	<u>4,362</u>	<u>4,362</u>
	73,633	73,633
Goodwill	(30,236)	(30,000)
Total Tier-1 capital	<u>43,397</u>	<u>43,633</u>
<b>Tier-2 capital</b>		
Redeemable Preference Shares ("RPS")	1,631	1,631
Share Premium on RPS	142,035	142,035
General allowance for bad and doubtful debts	<u>1,448</u>	<u>1,304</u>
Total Tier-2 capital	<u>145,114</u>	<u>144,970</u>
Total Eligible Tier-2 capital	<u>43,397</u>	<u>43,633</u>
Total capital	86,794	87,266
Less: Investments in subsidiary companies	(588)	(588)
Capital base	<u>86,206</u>	<u>86,678</u>
<b><u>Before deducting proposed dividends</u></b>		
Core capital ratio	14.90%	17.59%
Risk-weighted capital ratio	29.60%	34.94%
<b><u>After deducting proposed dividends</u></b>		
Core capital ratio	14.90%	17.59%
Risk-weighted capital ratio	29.60%	34.94%

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22. Segmental reporting

(a) Segment information by activities for the financial year ended 31 December 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
<b>31-Dec-09</b>						
<b>REVENUE &amp; EXPENSES</b>						
<b>Revenue</b>						
Net Interest income	4,757	250	138	(1,544)	-	3,601
Non interest income	27,620	8,837	430	19	5	36,911
<b>Results</b>						
Profit / (loss) from operations	11,717	2,976	(180)	(2,578)	(5)	11,930
Taxation						(3,680)
Profit after taxation						8,250
<b>31-Dec-08</b>						
<b>REVENUE &amp; EXPENSES</b>						
<b>Revenue</b>						
Net Interest income	3,535	477	129	(703)	-	3,438
Non interest income	9,782	10,345	628	(21)	(294)	20,440
<b>Results</b>						
Profit / (loss) from operations	(738)	4,870	130	(1,397)	5	2,870
Taxation						(365)
Profit after taxation						2,505

(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 December 2009.



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**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 31 December 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 31 December 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.

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**29. Interest/Profit Rate Risk**

The Group	Non-trading book						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	%
<b>As at 31 December 2009</b>								
<b>Assets</b>								
Cash and short term funds	255,275	-	-	-	-	50,197	-	2.0
Deposits and placements with banks and other financial institutions	-	-	-	-	-	59	-	-
Securities held at fair value through profit or loss	-	-	-	-	-	-	7,180	-
Available-for-sale securities	-	-	179,992	-	-	2,445	-	-
Loans and advances								3.4
- Performing loans	29,676	46,672	19,497	-	-	(1,437)	-	6.6
Clients' and brokers' balances	-	-	-	-	-	85,149	-	-
Other assets	7	-	-	-	-	21,028	-	-
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	910	-	-
Tax recoverable	-	-	-	-	-	531	-	-
Prepaid lease payments	-	-	-	-	-	1,132	-	-
Property, plant and equipment	-	-	-	-	-	4,922	-	-
Goodwill arising on consolidation	-	-	-	-	-	33,058	-	-
Intangible assets	-	-	-	-	-	1,353	-	-
Deferred tax assets	-	-	-	-	-	55,519	-	-
<b>Total assets</b>	<b>284,958</b>	<b>46,672</b>	<b>199,489</b>	<b>-</b>	<b>-</b>	<b>254,866</b>	<b>7,180</b>	<b>793,165</b>
<b>Liabilities</b>								
Deposits from customers	16,000	2,250	178,311	-	-	-	-	196,561
Deposits and placement of banks and other financial institutions	-	-	1,824	-	-	-	-	1,824
Clients' and brokers' balances	-	-	-	-	-	242,088	-	242,088
Payables and other liabilities	2	-	665	-	-	21,058	-	21,725
Short term borrowings	27,500	-	-	-	-	-	-	27,500
<b>Total liabilities</b>	<b>43,502</b>	<b>2,250</b>	<b>180,800</b>	<b>-</b>	<b>-</b>	<b>263,146</b>	<b>-</b>	<b>489,698</b>
<b>Total interest sensitivity gap</b>	<b>241,456</b>	<b>44,422</b>	<b>18,689</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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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
<b>As at 30 June 2009</b>							
<b>Assets</b>							
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	-	-	-	-	-	-	-
<b>Total assets</b>	<b>286,896</b>	<b>52,505</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>321,245</b>	<b>667,089</b>
<b>Liabilities</b>							
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
<b>Total liabilities</b>	<b>146,900</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>334,265</b>	<b>490,985</b>
<b>Total interest sensitivity gap</b>	<b>139,996</b>	<b>52,161</b>	<b>(1,476)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Total	-	-	-	-	-	-	-

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**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 December 2009, the Group reported a higher profit before taxation of RM4.3 million compared to a profit before taxation of RM39,000 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 December 2009, the Group reported a higher profit before taxation of RM11.9 million compared to a profit before taxation of RM2.9 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 December 2009, the Group reported a operating profit before tax of RM4.3 million compared to a profit of RM7.6 million for the preceding financial quarter. The decrease in profit was due to higher personnel costs incurred for new recruitments.

**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**

<b>The Group</b>	<b>Financial quarter ended</b>		<b>Financial period ended</b>	
	<b>31.12.09</b>	<b>31.12.08</b>	<b>31.12.09</b>	<b>31.12.08</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Tax expense/(income) on Malaysian tax				
– Current	1,435	548	3,680	1,319
– Prior year	-	-	-	(954)
	<b>1,435</b>	<b>548</b>	<b>3,680</b>	<b>365</b>

**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 and utilisation of proceeds raised from corporate proposals**

**(a) Status of corporate proposal**

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.

**(b) Utilisation of proceeds raised from corporate proposals**

Rights issue

The Rights Issue was completed on 22 October 2009 and the proceeds from the Rights Issue were fully utilised to repay the bank borrowings and Rights Issue expenses as below:-

Purpose	Proposed Utilisation	Actual Utilisation	Intended Timeframe for Utilisation	Deviation		Explanation
	RM'000	RM'000		Amount	%	
(a) Repayment of bank borrowing	122,818	123,057	1 year	(239)	-0.19	Note (1)
(b) Rights issue expenses	630	391	1 year	239	37.94	Note (1)
Total	<u>123,448</u>	<u>123,448</u>		-		

Note (1) : The surplus arising from the unutilised proceeds earmarked for defraying the Rights Issue expenses had been channeled towards repayment of bank borrowings.

**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.

**11. Dividends**

The Board of Directors does not recommended any dividend to be paid for the financial period ended 31 December 2009.

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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	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Net profit/loss attributable to shareholders of the Company (RM'000):	2,883	(509)	8,250	2,505
Weighted average number of Ordinary Shares in issue ('000):	239,046	240,642 <sup>*</sup>	239,046	240,642 <sup>*</sup>
Basic earnings /(loss) per share (Sen)	1.2	(0.2)	3.5	1.0

\* 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 24 February 2010