



## Financial Results

Form Version 8 (Enhanced)

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**Submitted**

### Company Information

Main Market Company

New Announcement

Submitting Investment

Bank/Advisor (if applicable)

Submitting Secretarial Firm (if applicable)

|                  |   |
|------------------|---|
| * Company name   | HLG CAPITAL BERHAD                              |
| * Stock name     | HLCAP   |
| * Stock code     | 5274  |
| * Contact person | Ms Christine Moh / Ms June Lee                  |
| * Designation    | Company Secretary / Secretarial Manager         |
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| E-mail address   | smmoh@hongleong.com.my / wklee@hongleong.com.my |

### Part A : To be filled by Public Listed Company

|   |                       |
|---|-----------------------|
| * Financial Year End                              | 30/06/2010            |
| * Quarter   | 3 Qtr                 |
| * Quarterly report for the financial period ended | 31/03/2010            |
| * The figures                                     | have not been audited |

### Please attach the full Quarterly Report here

[HLGC 3rd Qtr 31.3.10 .pdf](#)

### Remarks

**This announcement is dated 24 May 2010.**

- DEFAULT CURRENCY
- OTHER CURRENCY

Currency

Malaysian Ringgit (MYR)

### Part A2 : SUMMARY OF KEY FINANCIAL INFORMATION

Summary of Key Financial Information for the financial period ended  
\* 31/03/2010

INDIVIDUAL QUARTER

CUMULATIVE QUARTER

[https://bursalink.bursamalaysia.com/link/hlcap/plc\\_local.nsf/adca2b6c8485b2fd4825735b003914...](https://bursalink.bursamalaysia.com/link/hlcap/plc_local.nsf/adca2b6c8485b2fd4825735b003914...) 24/05/2010

|  | CURRENT YEAR<br>QUARTER *            | PRECEDING YEAR<br>CORRESPONDING<br>QUARTER | CURRENT YEAR TO<br>DATE *                     | PRECEDING<br>YEAR<br>CORRESPONDING<br>PERIOD |
|--|--------------------------------------|--|---|--|
|  | 31/03/2010                           | 31/03/2009                                 | 31/03/2010                                    | 31/03/2009                                   |
|  | [dd/mm/yyyy]<br>\$\$'000             | [dd/mm/yyyy]<br>\$\$'000                   | [dd/mm/yyyy]<br>\$\$'000                      | [dd/mm/yyyy]<br>\$\$'000                     |
| 1. Revenue   | 21,257                               | 11,930                                     | 61,768  | 35,616                                       |
| 2. Profit/(loss) before tax  | 4,600                                | 137  | 16,530  | 3,007  |
| 3. Profit/(loss) for the period  | 3,380                                | -460                                       | 11,630  | 2,045  |
| 4. Profit/(loss) attributable to ordinary equity holders of the parent               | 3,380                                | -460                                       | 11,630  | 2,045  |
| 5. Basic earnings/(loss) per share (Subunit)   | 1.40                                 | -0.20                                      | 4.90  | 0.90   |
| 6. Proposed/Declared dividend per share (Subunit)                                    | 0.00                                 | 0.00                                       | 0.00  | 0.00   |
|  | <b>AS AT END OF CURRENT QUARTER*</b> |  | <b>AS AT PRECEDING FINANCIAL YEAR<br/>END</b> |  |
| 7. Net assets per share attributable to ordinary equity holders of the parent (\$\$) |                                      | 1.2900                                     |   | 1.4700                                       |
| Remarks :  |                                      |  |   |  |

**Definition of Subunit:**

In a currency system, there is usually a main unit (base) and subunit that is a fraction amount of the main unit. Example for the subunit as follows:

| Country        | Base Unit | Subunit |
|----------------|-----------|---------|
| Malaysia       | Ringgit   | Sen     |
| United States  | Dollar    | Cent    |
| United Kingdom | Pound     | Pence   |

**HLG Capital Berhad**  
**Condensed Consolidated Balance Sheet**  
**As at 31 March 2010**

| <b>THE GROUP</b>   | Note | <b>As at current<br/>financial<br/>period ended<br/>31 March 2010<br/>RM'000</b> | <b>As at preceding<br/>financial<br/>year ended<br/>30 June 2009<br/>RM'000</b> |
|--|------|--|---|
| <b>ASSETS</b>  |      |  |   |
| Cash and short term funds  |      | 306,556  | 317,387   |
| Deposits and placements with banks<br>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   |
| <b>TOTAL ASSETS</b>  |      | <b>961,549</b>   | <b>667,089</b>  |
| <b>LIABILITIES</b>   |      |  |   |
| Deposit from customers   | 13   | 190,635  | -   |
| Deposits and placements of banks and<br>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   |
|  |      | <b>659,988</b>   | <b>490,985</b>  |
| <b>EQUITY</b>  |      |  |   |
| Share capital  |      | 246,896  | 123,448   |
| Reserves   |      | 67,868   | 56,629  |
| Treasury shares for ESOS scheme  |      | (13,203)   | (3,973)   |
| Shareholders' equity   |      | <b>301,561</b>   | <b>176,104</b>  |
| <b>TOTAL LIABILITIES AND EQUITY</b>  |      | <b>961,549</b>   | <b>667,089</b>  |
| <b>COMMITMENT AND CONTINGENCIES</b>  | 20   | <b>1,506,104</b>   | <b>327,475</b>  |
| <b>Net assets per share attributable to ordinary equity<br/>holders of the parent (sen)*</b> |      | <b>129 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 March 2010

|   | Note | Individual Quarter                        |  | Cumulative Quarter                     |                                     |
|---|------|---|--|--|-------------------------------------|
|   |      | Current quarter ended 31-Mar-10<br>RM'000 | Last quarter ended 31-Mar-09<br>RM'000 | Current year ended 31-Mar-10<br>RM'000 | Last year ended 31-Mar-09<br>RM'000 |
| <b>THE GROUP</b>  |      |   |  |  |                                     |
| 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<br>financial<br>period ended<br>31 Mar 2010<br>RM'000 | As at preceding<br>financial<br>year ended<br>30 June 2009<br>RM'000 |
|--|------|---|--|
| <b>ASSETS</b>  |      |   |  |
| 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  |
| <b>TOTAL ASSETS</b>                                  |      | <b>284,345</b>  | <b>287,710</b>   |
| <b>LIABILITIES</b>                                   |      |   |  |
| Payables and other liabilities                       |      | 543   | 771  |
| Borrowings   |      | 33,500  | 146,900  |
|  |      | <b>34,043</b>   | <b>147,671</b>   |
| <b>EQUITY</b>  |      |   |  |
| 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  |
| <b>TOTAL LIABILITIES AND EQUITY</b>                  |      | <b>284,345</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 March 2010**

|  | Note | Individual Quarter                        |  | Cumulative Quarter                     |                                     |
|--|------|---|--|--|-------------------------------------|
|  |      | Current quarter ended 31-Mar-10<br>RM'000 | Last quarter ended 31-Mar-09<br>RM'000 | Current year ended 31-Mar-10<br>RM'000 | Last year ended 31-Mar-09<br>RM'000 |
| <b>THE COMPANY</b>                         |      |   |  |  |                                     |
| 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 →   |   |                              |                                |                                |                 |
|--|-------------------------|---|------------------------------|--------------------------------|--------------------------------|-----------------|
|  | Share capital<br>RM'000 | Shares held<br>by ESOS<br>Trust<br>RM'000 | General<br>reserve<br>RM'000 | Statutory<br>reserve<br>RM'000 | Retained<br>earnings<br>RM'000 | Total<br>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<br>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)           |
| <b>As at 31 March 2010</b>   | <b>246,896</b>          | <b>(13,203)</b>                           | <b>543</b>                   | <b>4,362</b>                   | <b>62,963</b>                  | <b>301,561</b>  |
| 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)           |
| <b>As at 31 March 2009</b>   | <b>123,448</b>          | <b>(3,969)</b>                            | <b>543</b>                   | <b>-</b>                       | <b>45,656</b>                  | <b>165,678</b>  |

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

| THE COMPANY                     | ← Non-Distributable →   |   |                              |                                |                                |                 |
|---------------------------------|-------------------------|---|------------------------------|--------------------------------|--------------------------------|-----------------|
|                                 | Share capital<br>RM'000 | Shares held<br>by ESOS<br>Trust<br>RM'000 | General<br>reserve<br>RM'000 | Statutory<br>reserve<br>RM'000 | Retained<br>earnings<br>RM'000 | Total<br>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)           |
| <b>As at 31 March 2010</b>      | <b>246,896</b>          | <b>(13,203)</b>                           | <b>-</b>                     | <b>-</b>                       | <b>16,609</b>                  | <b>250,302</b>  |
| 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)           |
| <b>As at 31 March 2009</b>      | <b>123,448</b>          | <b>(3,969)</b>                            | <b>-</b>                     | <b>-</b>                       | <b>17,647</b>                  | <b>137,126</b>  |

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<br>RM'000 | 31-Mar-09<br>RM'000 | 31-Mar-10<br>RM'000 | 31-Mar-09<br>RM'000 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                       |                     |                     |                     |                     |
| 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             |
| <b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>       | (8,460)             | (22,891)            | (3,314)             | (22,375)            |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD</b> | 107,853             | 113,037             | 4,668               | 23,263              |
| <b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD</b>       | 99,393              | 90,146              | 1,354               | 888                 |
| <b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>                      |                     |                     |                     |                     |
| 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

|  | The Group                  |                            |
|--|----------------------------|----------------------------|
|  | As at<br>31.3.10<br>RM'000 | As at<br>30.6.09<br>RM'000 |
| <b>9. Available-for-sale securities</b>                                  |                            |                            |
| <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>               |
| <b>10. Loans and advances</b>  |                            |                            |
| <b>(i) By type of financing</b>  |                            |                            |
| 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>              |
| <b>(ii) By type of customers</b>   |                            |                            |
| 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>              |
| <b>(iii) By interest/profit rate sensitivity</b>                         |                            |                            |
| 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>              |
| <b>(iv) By economic purposes</b>   |                            |                            |
| 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>              |
| <b>(v) Non-performing loans by economic purposes</b>                     |                            |                            |
| Purchase of securities   | 2,668                      | 2,521                      |
| Gross non-performing loans and advances                                  | <u>2,668</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   | 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

|   | The Group                  |                            |
|---|----------------------------|----------------------------|
|   | As at<br>31.3.10<br>RM'000 | As at<br>30.6.09<br>RM'000 |
| <b>10. Loans and advances (contd.)</b>  |                            |                            |
| (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                          | <u>1.5%</u>                | <u>1.5%</u>                |

**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> |

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|   | The Group                  |                            |
|---|----------------------------|----------------------------|
|   | As at<br>31.3.10<br>RM'000 | As at<br>30.6.09<br>RM'000 |
| <b>12. Goodwill arising from consolidation</b>                                      |                            |                            |
| 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                     |
| <b>13. Deposits from customers</b>  |                            |                            |
| Fixed deposits  | 190,635                    | -                          |
| <b>The maturity structure of fixed deposits :</b>                                   |                            |                            |
| Due within six months   | 190,635                    | -                          |
| <b>The deposits from customer are source from the following types of customers:</b> |                            |                            |
| Business enterprise   | 180,573                    | -                          |
| Individuals   | 10,062                     | -                          |
|   | 190,635                    | -                          |
| <b>14. Deposits and placement of banks and other financial institutions</b>         |                            |                            |
| Licensed banks  | 90,000                     | -                          |
| Other financial institutions  | 26,450                     | 9,820                      |
|   | 116,450                    | 9,820                      |

|  | <u>Individual Quarter</u>                     |   | <u>Cumulative Quarter</u>                  |  |
|--|---|---|--|--|
|  | Current<br>quarter ended<br>31.3.10<br>RM'000 | Last<br>quarter ended<br>31.03.09<br>RM'000 | Current<br>year ended<br>31.3.10<br>RM'000 | Last<br>year ended<br>31.03.09<br>RM'000 |
| <b>15. Interest Income</b>                                       |   |   |  |  |
| <b><u>The Group</u></b>  |   |   |  |  |
| 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                                      |
|  | 7,664   | 2,509                                       | 16,201                                     | 6,958                                    |
| Accretion of discount less amortisation of premium               | (1)   | -   | (1)  | -  |
| Interest suspended   | (3,224)                                       | -   | (4,731)                                    | -  |
|  | 4,439   | 2,509                                       | 11,469                                     | 6,958                                    |
| <b><u>The Company</u></b>  |   |   |  |  |
| Money at call and deposit placements with financial institutions | 4   | 87  | 100  | 235                                      |

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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><br><u>31.3.10</u><br><u>RM'000</u> | <u>quarter ended</u><br><u>31.03.09</u><br><u>RM'000</u> | <u>year ended</u><br><u>31.3.10</u><br><u>RM'000</u> | <u>year ended</u><br><u>31.03.09</u><br><u>RM'000</u> |
| <b>16. Interest Expense</b>   |   |  |  |   |
| <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  | <u>200</u>  | <u>1,263</u>   | <u>1,839</u>   | <u>2,272</u>  |
| <b>17. Non Interest Income</b>  |   |  |  |   |
| <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>  |
| <b>Total Non Interest Income</b>  | <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>  |
| <b>Total Non Interest Income</b>  | <u>15</u>   | <u>1</u>   | <u>35</u>  | <u>(20)</u>   |

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Notes to the interim financial statements  
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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>31.3.10</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>     |
| <b>18. Other operating expenses</b>        |                           |                      |                           |                   |
| <b><u>The Group</u></b>                    |                           |                      |                           |                   |
| <b>Personnel costs</b>                     |                           |                      |                           |                   |
| Salaries, allowances and bonuses           | 8,002                     | 4,656                | 20,406                    | 13,676            |
| Others                                     | 2,042                     | 2,016                | 4,832                     | 4,392             |
| <b>Establishment costs</b>                 |                           |                      |                           |                   |
| 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             |
| <b>Marketing expenses</b>                  |                           |                      |                           |                   |
| Advertisement and publicity                | 192                       | 123                  | 577                       | 449               |
| Others                                     | 290                       | 353                  | 846                       | 1,208             |
| <b>Administration and general expenses</b> |                           |                      |                           |                   |
| Telecommunication costs                    | 228                       | (76)                 | 797                       | 473               |
| Printing & stationery                      | 124                       | 156                  | 410                       | 291               |
| Others                                     | 2,178                     | 1,524                | 6,596                     | 3,820             |
| <b>Total overhead expenses</b>             | <b>16,397</b>             | <b>12,326</b>        | <b>44,726</b>             | <b>32,634</b>     |
| <b><u>Company</u></b>                      |                           |                      |                           |                   |
| <b>Personnel costs</b>                     |                           |                      |                           |                   |
| Salaries, allowances and bonuses           | 421                       | 94                   | 673                       | 239               |
| Others                                     | 89                        | 33                   | 309                       | 89                |
| <b>Establishment costs</b>                 |                           |                      |                           |                   |
| Others                                     | 1                         | 2                    | 7                         | 4                 |
| <b>Marketing expenses</b>                  |                           |                      |                           |                   |
| Others                                     | 1                         | 22                   | 17                        | 23                |
| <b>Administration and general expenses</b> |                           |                      |                           |                   |
| Telecommunication costs                    | 1                         | 1                    | 21                        | 11                |
| Printing & stationery                      | 1                         | 8                    | 7                         | 14                |
| Others                                     | 294                       | 321                  | 826                       | 573               |
| <b>Total overhead expenses</b>             | <b>808</b>                | <b>481</b>           | <b>1,860</b>              | <b>953</b>        |

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Notes to the interim financial statements  
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|   | <u>Individual Quarter</u>                            |  | <u>Cumulative Quarter</u>                         |   |
|---|--|--|---|---|
|   | <u>Current</u><br>quarter ended<br>31.3.10<br>RM'000 | <u>Last</u><br>quarter ended<br>31.03.09<br>RM'000 | <u>Current</u><br>year ended<br>31.3.10<br>RM'000 | <u>Last</u><br>year ended<br>31.03.09<br>RM'000 |
| <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                                    | 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>                                  |
| <b>Total allowance for losses</b>                                   | <b>260</b>   | <b>(533)</b>                                       | <b>512</b>  | <b>(25)</b>                                     |





**HLG Capital Berhad**  
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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.

|  | <b>As at<br/>31.3.10<br/>RM'000</b> | <b>As at<br/>30.6.09<br/>RM'000</b> |
|--|-------------------------------------|-------------------------------------|
| <b>Capital adequacy ratio of Hong Leong Investment Bank Berhad</b> |                                     |                                     |
| <b><u>Components of Tier I and Tier II capital:</u></b>            |                                     |                                     |
| <b>Tier-1 capital</b>  |                                     |                                     |
| 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>                       |
| <b>Tier-2 capital</b>  |                                     |                                     |
| 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>                       |
| <b><u>Before deducting proposed dividends</u></b>                  |                                     |                                     |
| Core capital ratio   | 40.7%                               | 17.6%                               |
| Risk-weighted capital ratio  | 41.3%                               | 34.9%                               |
| <b><u>After deducting proposed dividends</u></b>                   |                                     |                                     |
| Core capital ratio   | 40.7%                               | 17.6%                               |
| Risk-weighted capital ratio  | 41.3%                               | 34.9%                               |

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22. Segmental reporting

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

|                                 | Investment<br>banking and<br>stockbroking | Fund<br>management<br>and unit trust<br>management | Futures and<br>options broking | Investment<br>holding and<br>others | Elimination | Consolidated |
|---------------------------------|---|--|--------------------------------|-------------------------------------|-------------|--------------|
|                                 | RM'000                                    | RM'000   | RM'000                         | RM'000                              | RM'000      | RM'000       |
| <b>31-Mar-10</b>                |   |  |                                |                                     |             |              |
| <b>REVENUE &amp; EXPENSES</b>   |   |  |                                |                                     |             |              |
| Revenue                         |   |  |                                |                                     |             |              |
| Net Interest income             | 7,256                                     | 396  | 208                            | (1,740)                             | -           | 6,120        |
| Non interest income             | 41,454                                    | 13,373   | 641                            | 173                                 | 7           | 55,648       |
| <b>Results</b>                  |   |  |                                |                                     |             |              |
| Profit / (loss) from operations | 15,955                                    | 4,364  | (211)                          | (3,576)                             | (2)         | 16,530       |
| Taxation                        |   |  |                                |                                     |             | (4,900)      |
| Profit after taxation           |   |  |                                |                                     |             | 11,630       |
| <b>31-Mar-09</b>                |   |  |                                |                                     |             |              |
| <b>REVENUE &amp; EXPENSES</b>   |   |  |                                |                                     |             |              |
| Revenue                         |   |  |                                |                                     |             |              |
| Net Interest income             | 5,598                                     | 607  | 180                            | (2,036)                             | -           | 4,349        |
| Non interest income             | 16,616                                    | 13,762   | 902                            | (20)                                | 7           | 31,267       |
| <b>Results</b>                  |   |  |                                |                                     |             |              |
| 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.

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**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.

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**29. Interest/Profit Rate Risk**

| The Group   | Notes | Non-trading book |                 |                 |               |                | Trading book   | Total | Effective interest rate % |
|---|-------|------------------|-----------------|-----------------|---------------|----------------|----------------|-------|---------------------------|
|   |       | Up to 1 month    | > 1 - 3 months  | > 3 - 12 months | 1 - 5 years   | Over 5 years   |                |       |                           |
| As at 31 March 2010   |       | RM'000           | RM'000          | RM'000          | RM'000        | RM'000         | RM'000         |       |                           |
| <b>Assets</b>   |       |                  |                 |                 |               |                |                |       |                           |
| Cash and short term funds   |       | 238,455          | -               | -               | -             | -              | 306,556        | 2.1   |                           |
| Deposits and placements with banks and other financial institutions |       | -                | -               | -               | -             | 64             | 64             | -     |                           |
| Securities held at fair value through profit or loss                |       | -                | 30,000          | -               | 50,027        | 7,554          | 122,739        | 3.8   |                           |
| Available-for-sale securities                                       |       | -                | -               | 179,992         | -             | -              | 182,437        | 3.4   |                           |
| Loans and advances  |       |                  |                 |                 |               |                |                |       |                           |
| - Performing loans  |       | 48,257           | 46,297          | -               | -             | -              | 93,136         | 6.6   |                           |
| Clients' and brokers' balances                                      |       | -                | -               | -               | -             | (1,418)        | 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         | -     |                           |
| <b>Total assets</b>   |       | <b>287,116</b>   | <b>76,297</b>   | <b>179,992</b>  | <b>50,027</b> | <b>35,158</b>  | <b>961,549</b> |       |                           |
| <b>Liabilities</b>  |       |                  |                 |                 |               |                |                |       |                           |
| Deposits from customers   |       | 190,635          | -               | -               | -             | -              | 190,635        | 2.0   |                           |
| Deposits and placement of banks and other financial institutions    |       | 24,626           | 91,824          | -               | -             | -              | 116,450        | 2.3   |                           |
| 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         | 3.5   |                           |
| <b>Total liabilities</b>  |       | <b>250,366</b>   | <b>91,824</b>   | -               | -             | <b>317,798</b> | <b>659,988</b> |       |                           |
| <b>Total interest sensitivity gap</b>                               |       | <b>36,750</b>    | <b>(15,527)</b> | <b>179,992</b>  | <b>50,027</b> | <b>35,158</b>  |                |       |                           |

# HILG 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<br>Interest<br>rate<br>% |
|---|----------------------------|-----------------------------|------------------------------|--------------------------|---------------------------|-------------------------------------|------------------------------------|
|   | Up to 1<br>month<br>RM'000 | > 1 - 3<br>months<br>RM'000 | > 3 - 12<br>months<br>RM'000 | 1 - 5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 | Non interest<br>sensitive<br>RM'000 |                                    |
| As at 30 June 2009  |                            |                             |                              |                          |                           |                                     |                                    |
| <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                              |
| 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 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**

| <b>The Group</b>                      | 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<br>RM'000 | Fair Value       |                       |
|---------------------------------|----------------------------|------------------|-----------------------|
|                                 |                            | Assets<br>RM'000 | Liabilities<br>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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**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