

HLG Capital Berhad

Condensed Consolidated Income Statements

For the financial quarter ended 30 June 2007

	Financial quarter ended		Financial year to date	
	30-Jun-07 RM'000	30-Jun-06 RM'000	30-Jun-07 RM'000	30-Jun-06 RM'000
Operating revenue	30,427	25,927	110,798	73,534
Other operating income	1,156	5,968	6,027	11,637
	31,583	31,895	116,825	85,171
Personnel costs	(6,866)	(2,042)	(19,865)	(13,612)
Other operating expenses	(12,250)	(15,889)	(57,490)	(41,544)
Profit from operations	12,467	13,964	39,470	30,015
Finance cost	(347)	(787)	(1,684)	(2,195)
Profit before taxation	12,120	13,177	37,786	27,820
Taxation	(4,961)	(1,918)	(11,884)	(9,452)
Net profit for the financial period	7,159	11,259	25,902	18,368
Earnings per share (sen)				
Basic	5.86	9.12	21.20	14.88
Fully diluted	5.86	9.12	21.20	14.88

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 30 June 2006 and the accompanying explanatory notes attached to the interim financial statements

HLG Capital Berhad
Condensed Consolidated Balance Sheet
As at 30 June 2007

	As at current financial quarter 30 June 2007 RM'000	As at preceding financial year ended 30 June 2006 RM'000 Restated
ASSETS		
NON-CURRENT ASSETS		
Property and equipment	3,029	2,555
Other investments	248	248
Intangible assets	4,768	4,830
Deferred tax assets	1,427	3,473
	9,472	11,106
CURRENT ASSETS		
Trade receivables	278,968	63,501
Other receivables	5,724	4,975
Manager's stocks and promotional items	7,619	2,920
Marketable securities	6,684	10,030
Short term funds	217,931	152,962
	516,926	234,388
TOTAL ASSETS	526,398	245,494
EQUITY AND LIABILITIES		
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		
Share capital	123,448	123,448
Shares held by ESOS Trust	(3,081)	(1,092)
Reserves	28,112	5,815
Shareholders' equity	148,479	128,171
NON-CURRENT LIABILITIES		
Provision for retirement benefits	991	967
	991	967
CURRENT LIABILITIES		
Short term borrowings	14,700	32,000
Trust accounts	96,777	21,875
Trade payables	242,917	48,715
Other payables	20,188	12,837
Taxation	2,346	929
	376,928	116,356
Total liabilities	377,919	117,323
TOTAL EQUITY AND LIABILITIES	526,398	245,494
Net assets per share attributable to ordinary equity holders of the parent (sen)*	124 sen	105 sen

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 30 June 2006 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

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Condensed Consolidated Statement of Changes in Equity

For the financial quarter ended 30 June 2007

	Share capital RM'000	Shares held by ESOS Trust RM'000	General reserve RM'000	Reserve on consolidation RM'000	(Accumulated losses) / Retained earnings RM'000	Total RM'000
As at 1 July 2006	123,448	(1,092)	543	-	5,272	128,171
Net profit for the financial period					25,902	25,902
Dividend Paid					(3,605)	(3,605)
Purchase during the year		(1,989)				(1,989)
As at 30 June 2007	123,448	(3,081)	543	-	27,569	148,479
As at 1 July 2005						
As previously stated	123,448	-	543	86	(13,182)	110,895
Effect of adopting FRS 3				(86)	86	-
Net profit for the financial year	123,448	-	543	-	(13,096)	110,895
					18,368	18,368
Purchase during the year		(1,092)	-			(1,092)
As at 30 June 2006	123,448	(1,092)	543	-	5,272	128,171

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 30 June 2006 and the accompanying explanatory notes attached to the interim financial statements

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Condensed Consolidated Cash Flow Statement For the financial quarter ended 30 June 2007

	Financial quarter ended		Financial year to date	
	30-Jun-07 RM'000	30-Jun-06 RM'000	30-Jun-07 RM'000	30-Jun-06 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	12,120	13,177	37,786	27,820
Adjustments for non-cash items	(5,529)	(8,893)	(8,289)	(7,716)
Operating profit before working capital changes	6,591	4,284	29,497	20,104
Net (increase)/decrease in working capital	(28,915)	(115,556)	(34,036)	30,174
Cash generated from/(used in) operations	(22,324)	(111,272)	(4,539)	50,278
Taxes paid	(3,745)	(1,782)	(8,393)	(9,735)
Interest paid	(317)	(182)	(1,577)	(1,615)
Net other operating income	529	892	2,436	2,489
Net cash generated from/(used in) operating activities	(25,857)	(112,344)	(12,073)	41,417
CASH FLOW FROM INVESTING ACTIVITIES				
Net investment in property, equipment and investments	2,309	2,952	6,996	(1,812)
Net cash generated from/(used in) investing activities	2,309	2,952	6,996	(1,812)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid	-	-	(3,605)	-
Repayment of short term borrowings	(8,800)	(4,000)	(17,300)	(8,000)
Purchase of shares held by ESOS Trust	-	(1,092)	(1,989)	(1,092)
Net cash used in financing activities	(8,800)	(5,092)	(22,894)	(9,092)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(32,348)	(114,484)	(27,971)	30,513
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	126,623	236,730	122,246	91,733
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	94,275	122,246	94,275	122,246
ANALYSIS OF CASH AND CASH EQUIVALENTS				
Short term funds	217,931	152,962	217,931	152,962
Less: Monies held in trust	(123,656)	(30,716)	(123,656)	(30,716)
	94,275	122,246	94,275	122,246

The condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the year ended 30 June 2006 and the accompanying explanatory notes attached to the interim financial statements

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 30 June 2007

Notes to the interim financial statements pursuant to
the Financial Reporting Standard (“FRS”) 134

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 2006. 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 position of the Group since the financial year ended 30 June 2006.

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 2006 except for the changes in accounting policies and presentation which are expected to be reflected in the financial statements for the financial year ending 30 June 2007 resulting from the adoption of applicable FRSs adopted by Malaysian Accounting Standards Board that are effective for the financial period beginning 1 January 2006 as follow:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS101	Presentation of Financial Statements
FRS102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events After the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effect of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments : Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of FRS 2,5,101,102,108,110,116,121,127,128,131,132,133,140 do not have any significant financial impact on the Group. The principal effect of the changes in accounting policies resulting from the adoption of other new and revised FRSs are as follows:

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(a) FRS 3: Business Combination, FRS 136: Impairment of Assets and FRS 138: Intangible Assets

The adoption of FRS 3, FRS 136 and FRS 138 has resulted in the Group ceasing amortisation of goodwill. Goodwill carried at cost less accumulated impairment losses, is now tested for impairment annually, or more frequently if events or changes in circumstances indicate that it may be impaired. Impairment losses are recognised in the income statement when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds the recoverable amount.

In prior periods, goodwill was amortised on a straight-line basis over its estimated useful life of Twenty (20) years.

The cumulative amortisation as at 1 July 2006 has been offset against the cost of goodwill and the carrying amount of goodwill as at 1 July 2006 of RM 4.6million ceased to be amortised. This change in accounting policy has been applied prospectively and as such there is no restatement of comparative amounts whilst the Group's profit for the current quarter under review was higher by RM 95,000 resulting from the cessation of amortisation of goodwill.

In prior periods, negative goodwill was amortised over the weighted average useful life of the non monetary assets acquired, except to the extent it relates to identified expected future losses as at the date of acquisition. In such cases, it was recognised in income statement as those expected losses were incurred. Under FRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisitions, after reassessment, is now recognised immediately in profit and loss. In accordance with transitional provisions of FRS 3, the negative goodwill as at 1 July 2007 of RM86,000 was derecognised with a corresponding increase in retained earnings.

In prior periods, computer software was included under property, plant and equipment. In accordance with FRS 138, computer software, which is not an integral part of a related hardware, is now classified as intangible asset and is amortised over its useful life. A computer software is an integral part of a related hardware if the hardware requires this specific software to operate.

A net carrying amount of RM167,000 as at 30 June 2006 for computer software which is not an integral part of computer hardware and was previously classified as property and equipment has been reclassified to intangible assets.

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(b) FRS 2: Share-based Payment:

FRS 2 requires an entity to recognise share-based payment in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity. With the adoption of FRS 2, the compensation expenses relating to share options is recognised in the income statements over the vesting periods of the grants with a corresponding increase in equity. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share options at the date of the grant and the number of share options to be vested by the vesting date. The change in accounting policy is applied retrospectively only for those shares options granted after 31 December 2004 and have not vested as of 1 January 2006 as provided in the transitional provision of FRS 2.

For the current quarter under review, there were no share options granted under the ESOS and accordingly, the adoption of FRS 2 has not resulted in any financial impact to the Group.

In the connection with the ESOS, a trust has been set up and is administered by an appointed trustee. The trustee will be entitled from time to time to accept advances from the Group to purchase the Company's ordinary shares from the open market for the purposes of the ESOS.

2. Comparatives

(i) Restatement on balance sheets

Description of change	Increase/(Decrease)			Restated RM'000
	Previously Stated RM'000	FRS 3 Note 2.3(a)(ii) RM'000	FRS 138 Note 2.3(a)(iii) RM'000	
Group				
Property, plant and equipment	2,722	-	(167)	2,555
Intangible assets	-	-	167	167

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(ii) Restatement on statement of change of equity

	Increase/(Decrease)			Restated RM'000
	Previously Stated RM'000	FRS 3 Note 2.3 (a)(ii) RM'000	FRS 138 Note 2.3 (a)(iii) RM'000	
Group				
Goodwill on consolidation	4,577	86	-	4,663
Retained earnings	5,186	86	-	5,272

3. Status of matters giving rise to the auditors' qualified report in the audited financial statements for the financial year ended 30 June 2006

The auditors did not qualify the financial statements for the financial year ended 30 June 2006.

4. Seasonality or cyclicity of operations

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

5. Exceptional items / unusual events

There were no exceptional items or unusual events affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial quarter ended 30 June 2007.

6. Variation from financial estimates reported in preceding financial period/year

There were no changes in financial estimates in the financial quarter ended 30 June 2007.

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7. Issuance and repayment of debt and equity securities

There are no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the financial quarter ended 30 June 2007 except for the following:

- a) The Company had, on 8 November 2005, announced that the shareholders of the Company had approved the establishment of an Executive Share Option Scheme ("Scheme") of up to 15% of the issued and paid-up ordinary share capital of the Company.

Approval from Bursa Malaysia Securities Berhad for the listing of and quotation of the new ordinary shares of the Company to be issued pursuant to the exercise of options under the Scheme was obtained on 17 January 2006. The scheme was established on 23 January 2006 under a trust for employee ("ESOS Trust").

- b) The ESOS Trust is administered by an appointed trustee. The trustee will be entitled from time to time to accept financial assistance from the Company upon such terms and conditions as the Company and the trustee may agree to purchase shares in the Company from the open market for the purpose of this trust. The shares purchased for the benefit of the ESOS holders are recorded as "Shares held by ESOS Trust" in the Group and the Company's Balance Sheet as deduction in arriving at the shareholders' equity. Total shares held by ESOS Trust comprise 3,285,100 shares in the Company costing RM3,081,372 inclusive of transaction costs, as at 30 June 2007.

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

8. Dividends paid

There was no dividend paid during the financial quarter ended 30 June 2007.

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for the financial quarter ended 30 June 2007

9. Segmental reporting

(a) Segment information by activities for the financial year ended 30 June 2007

	Stock- broking and related activities	Fund management and unit trust management	Corporate advisory services and mezzanine financing	Futures	Investment holding and others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30 June 2007							
REVENUE & EXPENSES							
Revenue							
Operating revenue	51,761	69,118	456	20	36,013	(46,570)	110,798
Results							
Profit / (loss) from operations	31,391	9,015	401	(416)	35,082	(36,003)	39,470
Finance cost							(1,684)
Taxation							(11,884)
Profit after taxation							25,902
30 June 2006							
REVENUE & EXPENSES							
Revenue							
Operating revenue	25,374	56,972	1,099	-	33,850	(43,761)	73,534
Results							
Profit from operations	22,535	11,299	446	-	30,745	(35,010)	30,015
Finance cost							(2,195)
Taxation							(9,452)
Profit after taxation							18,368

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

10. Property, plant and equipment

The valuations of property, plant and equipment have been brought forward without amendment from the financial statements for the financial period ended 30 June 2007.

11. Events after Balance Sheet date

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

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12. Changes in composition of the Group

There were no changes in the composition of the Group during the financial quarter ended 30 June 2007 except for the followings:-

On 29 June 2007, the Company announced that its wholly-owned subsidiary companies, HLG Capital Advisory Sdn Bhd and HLGeBiz Sdn Bhd were placed under member's voluntary winding-up pursuant to Section 254(1) of the Companies Act, 1965. The liquidation is pending completion.

13. Capital Commitments

There were no capital commitments for the purchase of property, plant and equipment as at 30 June 2007.

14. Changes in Contingent liabilities

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

- (a) HLG Unit Trust Bhd, a wholly-owned subsidiary of the Company, is the Manager of HLG Sectoral Fund ("Funds"), which comprises five sector funds. The Company provided a guarantee to Universal Trustee (Malaysia) Berhad, the trustee of the Funds, that if any of the five sector funds falls below the minimum fund size of RM1 million, the Company would invest cash, equivalent to the shortfall, into the relevant fund.

The size of each of the five funds was above the minimum of RM1 million as at 30 June 2007.

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

16. Performance review

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

For the financial quarter ended 30 June 2007, the Group registered a lower profit before taxation of RM12.1 million compared to a profit before taxation of RM13.2 million in the previous corresponding financial quarter. This mainly due to higher personnel costs as a result of new hires to strengthen the sales team.

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

For the current financial quarter ended 30 June 2007, the Group recorded a lower profit before taxation of RM12.1 million compared to a profit before taxation of RM13.7 million in the preceding financial quarter.

The lower profit before taxation for the current financial quarter under review was mainly due to higher personnel costs and bonus accrual.

17. Prospects for the next financial year

Barring any unforeseen circumstances, the Directors are of the opinion that the Group will perform satisfactorily in the next financial year.

18. 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.

19. Taxation

	Financial quarter ended		Financial year to date	
	30.06.07 RM'000	30.06.06 RM'000	30.06.07 RM'000	30.06.06 RM'000
Tax expense on Malaysian tax				
– Current	2,915	1,619	9,838	6,640
– Under provision in prior year	-	-	-	2,513
Transferred from deferred taxation	2,046	299	2,046	299
	4,961	1,918	11,884	9,452

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20. Sale of properties / unquoted investments

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

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

21. 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.

22. Status of corporate proposal

There were no corporate proposals announced but not completed as at the date of this announcement.

23. Group borrowings

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

24. 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.

25. Material litigation

The Company and HLG Securities Sdn Bhd ("HLG Securities") had been named as defendants in a Writ of Summons dated 21 March 2002 filed by Borneo Securities Holdings Sdn Bhd ("BSH") and served on HLG Securities on 15 April 2002.

BSH alleged that HLG Securities breached the terms of the sale and purchase agreement dated 31 October 2000 ("SPA") between HLG Securities and BSH for HLG Securities' proposed acquisition of 100% equity interest in Borneo Securities Sdn Bhd for a total purchase consideration of RM88 million. The Company is of the view that the suit is baseless as the motion for the proposed acquisition was not approved by shareholders at the Extraordinary General Meeting of the Company held on 24 October 2001 and accordingly, the SPA was terminated.

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26. Dividends

The Board of Directors has recommended a final dividend of 5 sen per share less 26% income tax for the financial year ended 30 June 2007. The proposed dividend is subject to shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect the proposed dividend. Such dividend, if approved by the shareholders, will be accounted in shareholders' equity as an appropriation of retained profits in the financial year ending 30 June 2008. The entitlement and payment date will be announced at a date to be determined by the directors.

27. Earnings per share ("EPS")

(a) Basic earnings per share

The basic earnings per share is calculated by dividing the net profit/(loss) attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the financial period.

	Financial quarter ended		Financial year to date	
	30.6.2007	30.6.2006	30.6.2007	30.6.2006
Net profit attributable to shareholders of the Company (RM'000):	7,159	11,259	25,902	18,368
Weighted average number of Ordinary Shares in issue ('000):	122,182	123,442	122,182	123,442
Basic earnings Per share (Sen)	5.86	9.12	21.20	14.88

(b) Fully diluted earnings per share

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