

HLG Capital Berhad
Condensed Consolidated Balance Sheet
As at 30 June 2010

THE GROUP	Note	As at current financial period ended 30 June 2010 RM'000	As at preceding financial year ended 30 June 2009 RM'000
ASSETS			
Cash and short term funds		722,645	317,387
Deposits and placements with banks and other financial institutions		45,070	73
Securities held at fair value through profit or loss	8	431,783	6,443
Available-for-sale securities	9	2,445	2,445
Held-to-maturity securities	10	10,000	-
Loans and advances	11	117,926	82,339
Clients' and brokers' balances	12	88,798	145,762
Other receivables		17,245	13,854
Statutory deposit with Bank Negara Malaysia		4,000	-
Tax recoverable		810	644
Deferred tax assets		53,038	58,455
Prepaid lease payments		1,131	1,132
Property and equipment		5,803	4,750
Goodwill arising on consolidation	13	33,059	32,823
Intangible assets		1,339	982
TOTAL ASSETS		1,535,092	667,089
LIABILITIES			
Deposit from customers	14	31,218	-
Deposits and placement of banks and other financial institutions	15	600,990	9,820
Clients' and brokers' balances		262,415	279,029
Payables and other liabilities		314,393	55,236
Borrowings		22,000	146,900
		1,231,016	490,985
EQUITY			
Share capital		246,896	123,448
Reserves		70,383	56,629
Treasury shares for ESOS scheme		(13,203)	(3,973)
Shareholders' equity		304,076	176,104
TOTAL LIABILITIES AND EQUITY		1,535,092	667,089
COMMITMENT AND CONTINGENCIES	21	3,492,940	327,475
Net assets per share attributable to ordinary equity holders of the parent (sen)*		130 sen	147 sen

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 30 June 2009 and the accompanying explanatory notes attached to the interim financial statements.

* Net assets per share attributable to ordinary equity holders of the parent (RM) is computed as Total Shareholders' Funds (excluding Minority Interest) divided by total number of ordinary shares in circulation.

HLG Capital Berhad

Condensed Consolidated Income Statements For the financial quarter ended 30 June 2010

THE GROUP	Note	Individual Quarter		Cumulative Quarter	
		Current quarter ended 30-Jun-10 RM'000	Last quarter ended 30-Jun-09 RM'000	Current year ended 30-Jun-10 RM'000	Last year ended 30-Jun-09 RM'000
Interest Income	16	7,070	1,357	15,998	8,315
Interest expense	17	(4,012)	(1,061)	(6,279)	(3,670)
Net interest income		3,058	296	9,719	4,645
Non Interest Income	18	20,633	24,217	75,740	55,484
Net Income		23,691	24,513	85,459	60,129
Other Operating Expenses	19	(19,244)	(15,328)	(63,972)	(47,962)
Operating profit before allowances		4,447	9,185	21,487	12,167
Allowance for losses on loans and advances and other losses	20	(530)	1,436	(1,041)	1,461
Impairment loss		-	(57,236)	-	(57,236)
Profit before taxation		3,917	(46,615)	20,446	(43,608)
Taxation		(1,292)	57,044	(6,192)	56,082
Net profit for the financial period		2,625	10,429	14,254	12,474
Earnings per share (sen)					
Basic		1.1	8.7	6.0	10.4
Fully diluted		1.1	8.7	6.0	10.4

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 30 June 2010

THE COMPANY	Note	As at current financial period ended 30 June 2010 RM'000	As at preceding financial year ended 30 June 2009 RM'000
ASSETS			
Cash and short term funds		230	4,668
Securities held at fair value through profit or loss		372	342
Other receivables		2,869	11,148
Tax recoverable		2,312	1,363
Investment in subsidiary companies		270,189	270,189
TOTAL ASSETS		275,972	287,710
LIABILITIES			
Payables and other liabilities		666	771
Borrowings		22,000	146,900
		22,666	147,671
EQUITY			
Share capital		246,896	123,448
Reserves		19,613	20,564
Treasury shares for ESOS scheme		(13,203)	(3,973)
Shareholders' equity		253,306	140,039
TOTAL LIABILITIES AND EQUITY		275,972	287,710

The condensed balance sheet should be read in conjunction with the audited financial statements for the year ended 30 June 2009 and the accompanying explanatory notes attached to the interim financial statements.

HLG Capital Berhad
Condensed Income Statements
For the financial quarter ended 30 June 2010

	Note	Individual Quarter		Cumulative Quarter	
		Current quarter ended 30-Jun-10 RM'000	Last quarter ended 30-Jun-09 RM'000	Current year ended 30-Jun-10 RM'000	Last year ended 30-Jun-09 RM'000
THE COMPANY					
Interest income	16	105	4	205	239
Interest expense	17	(342)	(967)	(2,182)	(3,239)
Net interest expenses		(237)	(963)	(1,977)	(3,000)
Non interest income	18	4,127	4,353	4,162	4,333
Net income		3,890	3,390	2,185	1,333
Other operating expenses	19	(776)	(438)	(2,636)	(1,392)
Loss before taxation		3,114	2,952	(451)	(59)
Taxation		-	(36)	-	919
Net (loss)/profit for the financial period		3,114	2,916	(451)	860

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 30 June 2010

THE GROUP	← Non-Distributable →					Total RM'000
	Share capital RM'000	Shares held by ESOS Trust RM'000	General reserve RM'000	Statutory reserve RM'000	Retained earnings RM'000	
As at 1 July 2009	123,448	(3,973)	543	4,362	51,724	176,104
Net profit for the financial period	-	-	-	-	14,254	14,254
Transfer to statutory reserve	-	-	-	6,682	(6,682)	-
Purchase during the year	-	(9,230)	-	-	-	(9,230)
Rights issue	123,448	-	-	-	-	123,448
Rights issue expenses	-	-	-	-	(500)	(500)
As at 30 June 2010	246,896	(13,203)	543	11,044	58,796	304,076
As at 1 July 2008	123,448	(3,568)	543	-	50,334	170,757
Net profit for the financial year	-	-	-	-	12,474	12,474
Transfer to statutory reserve	-	-	-	4,362	(4,362)	-
Dividend Paid	-	-	-	-	(6,722)	(6,722)
Purchase during the year	-	(405)	-	-	-	(405)
As at 30 June 2009	123,448	(3,973)	543	4,362	51,724	176,104

Condensed Statement of Changes in Equity
For the financial quarter ended 30 June 2010

THE COMPANY	← Non-Distributable →					Total RM'000
	Share capital RM'000	Shares held by ESOS Trust RM'000	General reserve RM'000	Statutory reserve RM'000	Retained earnings RM'000	
As at 1 July 2009	123,448	(3,973)	-	-	20,564	140,039
Net loss for the financial year	-	-	-	-	(451)	(451)
Purchase during the year	-	(9,230)	-	-	-	(9,230)
Rights issue	123,448	-	-	-	-	123,448
Rights issue expenses	-	-	-	-	(500)	(500)
As at 30 June 2010	246,896	(13,203)	-	-	19,613	253,306
As at 1 July 2008	123,448	(3,568)	-	-	26,426	146,306
Net profit for the financial year	-	-	-	-	860	860
Dividend Paid	-	-	-	-	(6,722)	(6,722)
Purchase during the year	-	(405)	-	-	-	(405)
As at 30 June 2009	123,448	(3,973)	-	-	20,564	140,039

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 30 June 2010

	Cumulative Quarter			
	The Group		The Company	
	30-Jun-10 RM'000	30-Jun-09 RM'000	30-Jun-10 RM'000	30-Jun-09 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before taxation	20,446	(43,608)	(451)	(59)
Adjustments for non-cash items	8,756	60,945	(2,175)	(1,323)
Operating profit/(loss) before working capital changes	29,202	17,337	(2,626)	(1,382)
Net increase/(decrease) working capital	397,016	(54,982)	8,256	(10,672)
Cash generated from/(used in) operations	426,218	(37,645)	5,630	(12,054)
Net income tax (paid)/refund	(737)	(1,399)	-	1,153
Interest received	-	-	205	239
Net cash generated from/(used in) operating activities	425,481	(39,044)	5,835	(10,662)
Net cash used in investing activities	(4,460)	(77,806)	(6,057)	(120,272)
Net cash (used in)/generated from financing activities	(13,432)	111,697	(4,216)	112,339
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	407,589	(5,153)	(4,438)	(18,595)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	107,853	113,006	4,668	23,263
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	515,442	107,853	230	4,668
ANALYSIS OF CASH AND CASH EQUIVALENTS				
Short term fund	722,645	317,387	230	4,668
Less: Monies held in trust	(207,203)	(209,534)	-	-
	515,442	107,853	230	4,668

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 30 June 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 30 June 2010

4. Exceptional items / unusual events

There were no exceptional items or unusual events affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial quarter ended 30 June 2010.

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

There were no significant changes in financial estimates in the financial quarter ended 30 June 2010.

6. Issuance and repayment of debt and equity securities

There are no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the financial quarter ended 30 June 2010 except for the following:

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

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

- (b) The ESOS Trust is administered by an appointed trustee. The trustee will be entitled from time to time to accept financial assistance from the Company upon such terms and conditions as the Company and the trustee may agree to purchase shares in the Company from the open market for the purpose of this trust. The shares purchased for the benefit of the ESOS holders are recorded as "Shares held by ESOS Trust" in the Group and the Company's Balance Sheet as deduction in arriving at the shareholders' equity. Total shares held by ESOS Trust comprise 12,287,200 shares in the Company costing RM13,203,461 inclusive of transaction costs, as at 30 June 2010.

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

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

7. Dividends paid

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

8. Securities held at fair value through profit or loss

At fair value

Money market instruments at fair value:

Negotiable instruments of deposits
Private debt securities
Bank Negara Bills

Quoted securities:

Shares
Unit trust

Total

The Group	
As at 30.6.10	As at 30.6.09
RM'000	RM'000
45,003	-
190,543	-
188,748	-
<u>424,294</u>	<u>-</u>
7,117	6,101
372	342
<u>7,489</u>	<u>6,443</u>
<u>431,783</u>	<u>6,443</u>

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 30 June 2010

	The Group	
	As at 30.6.10 RM'000	As at 30.6.09 RM'000
9. Available-for-sale securities		
<i>At fair value</i>		
Unquoted securities at fair value		
Shares	2,445	2,445
10. Held-for-maturity securities		
<i>At fair value</i>		
Negotiable instruments of deposits	10,000	-
11. Loans and advances		
(i) By type of financing		
Term loan financing	47,559	-
Revolving credit	28,204	31,112
Share Financing	46,647	55,002
Gross loans and advances	122,410	86,114
Allowance for losses on loans and advances		
- Specific	(2,688)	(2,521)
- General	(1,796)	(1,254)
Net loans and advances	117,926	82,339
(ii) By type of customers		
Domestic business enterprises		
- Others	75,533	29,776
Individuals	45,197	53,359
Foreign non-bank entities	1,680	2,979
Gross loans and advances	122,410	86,114
(iii) By interest/profit rate sensitivity		
Fixed rate		
Other fixed rate loan	46,647	55,002
	46,647	55,002
Variable rate		
Cost-plus	75,763	31,112
Gross loans and advances	122,410	86,114
(iv) By economic purposes		
Working capital	61,569	15,598
Purchase of securities	60,841	70,516
Gross loans and advances	122,410	86,114
(v) Non-performing loans by economic purposes		
Purchase of securities	2,688	2,521
Gross non-performing loans and advances	2,688	2,521
(vi) Movements in the non-performing loans and advances:		
At beginning of the year	2,521	361
Non performing during the year	178	1,085
Recoveries	(11)	(39)
Amount transferred in respect of acquisition	-	1,114
	2,688	2,521
Less : Specific allowance	(2,688)	(2,521)
Net non-performing loans and advances	-	-
Ratio of non-performing loans to total loans, net of specific allowances	0%	0%

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 30 June 2010

11. Loans and advances (contd.)

	The Group	
	As at 30.6.10	As at 30.6.09
	RM'000	RM'000
(vii) Movements in the allowance for losses on loans and advances are as follows:		
<u>Specific allowance</u>		
At beginning of the year	2,521	361
Allowances made/(written back) to income statement	167	1,046
Allowances transfer in respect of acquisition	-	1,114
	<u>2,688</u>	<u>2,521</u>
<u>General allowance</u>		
At beginning of the year	1,254	384
Allowance made/(written back) to income statement	542	168
Allowances transfer in respect of acquisition	-	702
	<u>1,796</u>	<u>1,254</u>
As % of gross loans and advances less specific allowance	<u>1.5%</u>	<u>1.5%</u>

12. Clients and brokers' balances

Performing accounts	88,664	192,472
Non-performing accounts – Bad	37,525	73,406
– Doubtful	288	53
	<u>126,477</u>	<u>265,931</u>
Less: Allowances for bad and doubtful debts		
- specific	(37,043)	(73,432)
- general	(9)	(50)
- interest in suspense	(627)	(46,687)
	<u>88,798</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	831	-
Amount recovered	(417)	-
Allowances written back during the financial year	(36,803)	(2,600)
Balance as at the end of the financial year	<u>37,043</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	(41)	(118)
Balance as at the end of the financial year	<u>9</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	5,387	2,693
Interest suspended written off	(51,447)	-
Balance as at the end of the financial year	<u>627</u>	<u>46,687</u>

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 30 June 2010

The Group	
As at 30.6.10	As at 30.6.09
RM'000	RM'000

13. Goodwill arising from consolidation

At beginning of the period	32,823	4,663
Goodwill arising from acquisition	-	83,749
Merger expenses	236	1,647
Impairment loss on goodwill	-	(57,236)
	33,059	32,823

14. Deposits from customers

Fixed deposits	31,218	-
----------------	--------	---

The maturity structure of fixed deposits :

Due within six months	31,218	-
-----------------------	--------	---

The deposits from customer are source from the following types of customers:

Business enterprise	31,218	-
---------------------	--------	---

15. Deposits and placement of banks and other financial institutions

Licensed banks	61,000	-
Other financial institutions	539,990	9,820
	600,990	9,820

16. Interest Income

The Group

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current	Last	Current	Last
	quarter ended 30.6.10	quarter ended 30.6.09	year ended 30.6.10	year ended 30.6.09
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than recoveries from NPLs	1,687	1,454	6,211	5,240
Money at call and deposit placements with financial institutions	1,814	360	4,061	2,993
Held-for-trading securities	2,453	-	2,603	-
Available-for-sale securities	521	-	2,328	-
Held-to-maturity investments	292	-	292	-
Others	5,804	(457)	6,005	2,775
	12,571	1,357	21,500	11,008
Accretion of discount less amortisation of premium	(114)	-	(115)	-
Interest suspended	(5,387)	-	(5,387)	(2,693)
	7,070	1,357	15,998	8,315

The Company

Money at call and deposit placements with financial institutions	105	4	205	239
--	-----	---	-----	-----

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 30 June 2010

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>Current</u>	<u>Last</u>	<u>Current</u>	<u>Last</u>
	<u>quarter ended</u>	<u>quarter ended</u>	<u>year ended</u>	<u>year ended</u>
	<u>30.6.10</u>	<u>30.6.09</u>	<u>30.6.10</u>	<u>30.6.09</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>

17. Interest Expense

The Group

Borrowings	380	994	2,332	3,476
Deposits and placements of banks and other financial institutions	1,052	13	1,151	65
Deposits from other customers	2,580	54	2,796	129
	<u>4,012</u>	<u>1,061</u>	<u>6,279</u>	<u>3,670</u>

The Company

Borrowings	342	967	2,182	3,239
------------	-----	-----	-------	-------

18. Non Interest Income

The Group

(a) Fee income:

Net brokerage from stockbroking business	9,939	15,936	42,264	32,864
Net unit trust and asset management income	6,099	5,739	19,406	19,498
Net commission from futures business	278	403	919	1,304
Other fee income	3,098	1,110	9,480	1,110
	<u>19,414</u>	<u>23,188</u>	<u>72,069</u>	<u>54,776</u>

(b) Net trading income:

Net unrealised gain/(loss) on revaluation of securities held at fair value through profit or loss	165	753	1,478	(945)
Net realised gain on revaluation of securities	873	-	897	-
	<u>1,038</u>	<u>753</u>	<u>2,375</u>	<u>(945)</u>

(c) Dividend income from:

Securities quoted in Malaysia				
Securities held at fair value through profit or loss	37	96	598	1,041
Unquoted securities:				
Available-for-sale investments	-	-	37	44
	<u>37</u>	<u>96</u>	<u>635</u>	<u>1,085</u>

(d) Other income:

Gain on disposal of property, plant and equipment	-	-	321	73
Other non operating income	144	180	340	495
	<u>144</u>	<u>180</u>	<u>661</u>	<u>568</u>

Total Non Interest Income

	<u>20,633</u>	<u>24,217</u>	<u>75,740</u>	<u>55,484</u>
--	---------------	---------------	---------------	---------------

The Company

(a) Net trading income:

Gain/(loss) arising from trading in securities held at fair value through profit or loss				
- unrealised gain/(loss)	(5)	33	30	13
	<u>(5)</u>	<u>33</u>	<u>30</u>	<u>13</u>

(c) Dividend income from:

Subsidiary companies	4,122	4,310	4,122	4,310
	<u>4,122</u>	<u>4,310</u>	<u>4,122</u>	<u>4,310</u>

(b) Other income:

Other non operating income	10	10	10	10
	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>

Total Non Interest Income

	<u>4,127</u>	<u>4,353</u>	<u>4,162</u>	<u>4,333</u>
--	--------------	--------------	--------------	--------------

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 30 June 2010

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>Current</u>	<u>Last</u>	<u>Current</u>	<u>Last</u>
	<u>quarter ended</u>	<u>quarter ended</u>	<u>year ended</u>	<u>year ended</u>
	<u>30.6.10</u>	<u>30.6.09</u>	<u>30.6.10</u>	<u>30.6.09</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
19. Other operating expenses				
<u>The Group</u>				
Personnel costs				
Salaries, allowances and bonuses	8,802	6,119	29,209	19,515
Others	2,182	3,311	7,013	7,703
Establishment costs				
Rental of premises	1,319	1,158	4,620	3,755
Depreciation of property and equipment	524	390	1,875	1,534
Amortisation of intangible assets	202	125	678	372
Information technology expenses	1,517	1,271	5,010	3,834
Others	404	358	2,137	2,133
Marketing expenses				
Advertisement and publicity	388	203	1,109	671
Others	406	173	1,108	1,362
Administration and general expenses				
Telecommunication costs	816	345	1,613	818
Printing & stationery	152	134	562	425
Others	2,532	1,741	9,038	5,840
Total overhead expenses	<u>19,244</u>	<u>15,328</u>	<u>63,972</u>	<u>47,962</u>
<u>Company</u>				
Personnel costs				
Salaries, allowances and bonuses	360	85	1,033	324
Others	81	26	390	115
Establishment costs				
Rental of premises	10	-	10	-
Others	19	1	26	5
Marketing expenses				
Others	7	2	24	25
Administration and general expenses				
Telecommunication costs	1	-	22	11
Printing & stationery	-	1	7	15
Others	298	323	1,124	897
Total overhead expenses	<u>776</u>	<u>438</u>	<u>2,636</u>	<u>1,392</u>

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 30 June 2010

<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
<u>Current</u>	<u>Last</u>	<u>Current</u>	<u>Last</u>
<u>quarter ended</u>	<u>quarter ended</u>	<u>year ended</u>	<u>year ended</u>
<u>30.6.10</u>	<u>30.6.09</u>	<u>30.6.10</u>	<u>30.6.09</u>
<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>

20. Allowance for Losses on Loans, Advances and Other Losses

The Group

Allowance for losses on loans and advances

Specific allowance

- Made during the financial year	20	(19)	178	1,085
- Written back	-	(39)	(11)	(39)

General allowance (net)

- Made during the financial year	377	(395)	542	168
- Written back	-	-	-	-

Bad debts recovered

	(25)	-	(41)	-
	<u>372</u>	<u>(453)</u>	<u>668</u>	<u>1,214</u>

Allowance for losses on clients' and brokers' balances

Specific allowance

- Made during the financial year	578	-	831	-
- Written back	(417)	(872)	(417)	(2,600)

General allowance (net)

- Made during the financial year	38	7	-	43
- Written back	(41)	(118)	(41)	(118)

	<u>158</u>	<u>(983)</u>	<u>373</u>	<u>(2,675)</u>
--	------------	--------------	------------	----------------

Total allowance for losses

	<u>530</u>	<u>(1,436)</u>	<u>1,041</u>	<u>(1,461)</u>
--	------------	----------------	--------------	----------------

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 30 June 2010

21. Commitment and Contingencies

In the normal course of business, the investment banking subsidiary make various commitments and incurred certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

30 June 2010			
	Principal Amount RM ' 000	Credit Equivalent RM ' 000	Risk Weighted Amount RM ' 000
Derivative Financial Instruments			
Interest rate related contracts:			
- One year or less	680,000	-	-
- Over one year to five years	2,545,000	1,021	204
	<u>3,225,000</u>	<u>1,021</u>	<u>204</u>
Any commitments that are unconditionally cancelled at any time by the bank without prior notice	267,940	-	-
	<u>3,492,940</u>	<u>1,021</u>	<u>204</u>

30 June 2009			
	Principal Amount RM ' 000	Credit Equivalent RM ' 000	Risk Weighted Amount RM ' 000
Derivative Financial Instruments			
Equity related contracts:			
- Interest Rates Futures	-	-	-
Any commitments that are unconditionally cancelled at any time by the bank without prior notice	327,475	-	-
	<u>327,475</u>	<u>-</u>	<u>-</u>

Bank Negara letter dated 18 March 2009 has allowed capital treatment on the undrawn portion of the credit facilities under Risk Weighted Capital Adequacy Framework to apply a 0% credit conversion factor (instead of 20%) on the undrawn portions of credit facilities with the original maturity of less than one year as a temporary measure to support lending activities of the banking industry. This measure is applicable until 31 December 2010.

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 30 June 2010

22. 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 30 June 2010 met the minimum requirement.

Capital adequacy ratio of Hong Leong Investment Bank Berhad	As at 30.6.10 RM'000	As at 30.6.09 RM'000
<u>Components of Tier I and Tier II capital:</u>		
Tier-1 capital		
Paid-up share capital	265,535	123,500
Reserves:	21,688	8,325
	<u>287,223</u>	<u>131,825</u>
Goodwill	(30,236)	(30,000)
Deferred tax assets-net	(52,597)	(58,192)
Total Tier-1 capital	<u>204,390</u>	<u>43,633</u>
Tier-2 capital		
Redeemable Preference Shares ("RPS")	1,631	1,631
Share Premium on RPS	-	142,035
General allowance for bad and doubtful debts	1,805	1,304
Total Tier-2 capital	<u>3,436</u>	<u>144,970</u>
Total Eligible Tier-2 capital	<u>3,436</u>	<u>43,633</u>
Total capital	207,826	87,266
Less: Investments in subsidiary companies	(588)	(588)
Capital base	<u>207,238</u>	<u>86,678</u>
<u>Before deducting proposed dividends</u>		
Core capital ratio	33.1%	17.6%
Risk-weighted capital ratio	33.5%	34.9%
<u>After deducting proposed dividends</u>		
Core capital ratio	33.1%	17.6%
Risk-weighted capital ratio	33.5%	34.9%

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 30 June 2010

23. Segmental reporting

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

	Investment banking and stockbroking	Fund management and unit trust management	Futures and options broking	Investment holding and others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30-Jun-10						
REVENUE & EXPENSES						
Revenue						
Net Interest income	10,697	714	282	(1,974)	-	9,719
Non interest income	55,300	19,481	920	4,364	(4,121)	75,944
Results						
Profit / (loss) from operations	18,949	6,257	(167)	(461)	(4,132)	20,446
Taxation						(6,192)
Profit after taxation						14,254
30-Jun-09						
REVENUE & EXPENSES						
Revenue						
Net Interest income	6,650	758	237	(3,000)	-	4,645
Non interest income	54,606	19,542	1,304	4,332	(24,300)	55,484
Results						
Profit / (loss) from operations	30,017	7,843	140	(72)	(24,300)	13,628
Impairment loss						(57,236)
Taxation						56,082
Profit after taxation						12,474

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

24. Property and equipment

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

HLG Capital Berhad

Notes to the interim financial statements for the financial quarter ended 30 June 2010

25. Events after Balance Sheet date

- (a) 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 Integration") with effect from 31 July 2010 (or such other date as may be agreed by the parties hereto) ("Transfer Date").

The consideration for the transfer of the HLG Futures Business 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 Integration 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.

Securities Commission had, vide its letter dated 18 June 2010, informed that the transfer of HLG Futures's business to HLIB has been approved pursuant to Section 139 of the Capital Markets and Services Act 2007.

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

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

26. Changes in composition of the Group

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

27. Capital Commitments

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

28. Changes in Contingent liabilities

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

- (a) Hong Leong Asset Management Bhd (formerly known as 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 2010.

29. Related party transactions

All related party transactions had been entered into in the ordinary course of business that had been undertaken at arms' length basis on normal commercial terms. These transactions are within the ambit of the approval granted under the Shareholders' Mandate for recurrent related party transactions obtained at a general meeting.

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 30 June 2010

29. Interest/Profit Rate Risk

The Group	Non-trading book						Effective interest rate %
	Up to 1 month	> 1 - 3 months	> 3 - 12 months	1 - 5 years	Over 5 years	Non interest sensitive	
Notes	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 30 June 2010							
Assets							
Cash and short term funds	400,224	-	-	-	-	322,421	722,645
Deposits and placements with banks and other financial institutions	-	45,000	-	-	-	70	45,070
Securities held at fair value through profit or loss	-	-	-	-	-	-	431,783
Available-for-sale securities	-	-	-	-	-	2,445	2,445
Held-to-maturity securities	10,000	-	-	-	-	-	10,000
Loans and advances							
- Performing loans	72,760	46,962	-	-	-	(1,796)	117,926
Clients' and brokers' balances	-	-	-	-	-	88,798	88,798
Other assets	-	-	-	-	-	17,245	17,245
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	4,000	4,000
Tax recoverable	-	-	-	-	-	810	810
Prepaid lease payments	-	-	-	-	-	1,131	1,131
Property, plant and equipment	-	-	-	-	-	5,803	5,803
Goodwill arising on consolidation	-	-	-	-	-	33,059	33,059
Intangible assets	-	-	-	-	-	1,339	1,339
Deferred tax assets	-	-	-	-	-	53,038	53,038
Total assets	482,984	91,962	-	-	-	528,363	1,535,092
Liabilities							
Deposits from customers	31,218	-	-	-	-	-	31,218
Deposits and placement of banks and other financial institutions	559,790	39,339	1,861	-	-	-	600,990
Clients' and brokers' balances	-	-	-	-	-	262,415	262,415
Payables and other liabilities	-	-	-	-	-	314,393	314,393
Short term borrowings	22,000	-	-	-	-	-	22,000
Liabilities directly associated with non-current assets classified as held for sale	-	-	-	-	-	-	-
Total liabilities	613,008	39,339	1,861	-	-	576,808	1,231,016
Total interest sensitivity gap	(130,024)	52,623	(1,861)	-	-	-	-

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 30 June 2010

29. Interest/Profit Rate Risk (Cont'd)

The Group	Non-trading book						Effective interest rate %
	Up to 1 month	> 1 - 3 months	> 3 - 12 months	1 - 5 years	Over 5 years	Non interest sensitive	
Notes	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 30 June 2009							
Assets							
Cash and short term funds	255,784	-	-	-	-	61,603	317,387
Deposits and placements with banks and other financial institutions	-	24	-	-	-	49	73
Securities held at fair value through profit or loss	-	-	-	-	-	-	6,443
Available-for-sale securities	-	-	-	-	-	2,445	2,445
Loans and advances	31,112	52,481	-	-	-	(1,254)	82,339
Clients' and brokers' balances	-	-	-	-	-	145,762	145,762
Other assets	-	-	-	-	-	13,854	13,854
Tax recoverable	-	-	-	-	-	644	644
Prepaid lease payments	-	-	-	-	-	1,132	1,132
Property, plant and equipment	-	-	-	-	-	4,750	4,750
Goodwill arising on consolidation	-	-	-	-	-	32,823	32,823
Intangible assets	-	-	-	-	-	982	982
Non-current assets held for sale	-	-	-	-	-	-	-
Total assets	286,896	52,505	-	-	-	321,245	667,089
Liabilities							
Deposits and placements of other financial institution	8,000	344	1,476	-	-	-	9,820
Clients' and brokers' balances	-	-	-	-	-	279,029	279,029
Payables and other liabilities	-	-	-	-	-	55,236	55,236
Borrowings	146,900	-	-	-	-	-	146,900
Total liabilities	154,900	344	1,476	-	-	334,265	490,985
Total interest sensitivity gap	131,996	52,161	(1,476)	-	-	-	-
Total	-	-	-	-	-	-	-

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 30 June 2010

**Explanatory Notes Pursuant to Appendix 9B of the Main Market Listing
Requirements of Bursa Malaysia Securities Berhad**

1. Performance review

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

For the financial quarter ended 30 June 2010, the Group reported a higher profit before taxation of RM3.9 million compared to a loss before taxation of RM46.6 million in the previous corresponding financial quarter. This was due to goodwill impairment loss of RM57.2 million write off in the previous financial quarter. Operating profit before allowances decrease to RM4.4 million resulting from lower Bursa Malaysia volume during the financial quarter.

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

For the financial year ended 30 June 2010, the Group reported a higher profit before taxation of RM20.4 million compared to a loss before taxation of RM43.6 million in the previous corresponding financial year. This was due to goodwill impairment loss of RM57.2 million write off in the previous financial year.

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

For the financial quarter ended 30 June 2010, the Group reported a operating profit before tax of RM3.9 million compared to a profit of RM4.6 million for the preceding financial quarter. The decrease in profit was due to lower Bursa Malaysia volume during the financial quarter.

2. Prospects for the next financial year

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

3. Variance in profit forecast and shortfall in profit guarantee

The Group had not entered into any scheme that requires it to present forecast results or guarantee any profits.

4. Taxation

The Group	Financial quarter ended		Financial period ended	
	30.06.10	30.06.09	30.06.10	30.06.09
	RM'000	RM'000	RM'000	RM'000
Tax expense/(income) on Malaysian tax				
– Current	734	964	1,644	2,335
– Prior year	(869)	(955)	(869)	(1,364)
Deferred tax	1,427	(57,053)	5,417	(57,053)
	1,292	(57,044)	6,192	(56,082)

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.

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 30 June 2010

7. Status of corporate proposals

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

8. Group borrowings

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

9. Off-balance sheet financial instruments

The Banking subsidiary has incurred the following:

Derivatives financial instrument

	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Interest rate related contracts			
- Interest rate swap	25,000	23	-
- Futures			
(i) Less than 1 year	680,000	-	21
(ii) 1 year to 3 years	1,360,000	-	630
(iii) More than 3 years	1,160,000	-	543
	<u>3,200,000</u>	<u>23</u>	<u>1,194</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 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.

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 year ended 30 June 2010.

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 30 June 2010

12. Earnings per share ("EPS")

(a) Basic earnings/loss per share

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

	Financial quarter ended		Financial period ended	
	30.06.2010	30.06.2009	30.06.2010	30.06.2009
Net profit/loss attributable to shareholders of the Company (RM'000):	2,625	10,429	14,254	12,474
Weighted average number of Ordinary Shares in issue ('000):	235,975	119,541	235,975	119,541
Basic earnings /(loss) per share (Sen)	1.1	8.7	6.0	10.4

(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 19 August 2010