

HLG Capital Berhad
Condensed Consolidated Income Statement
For the financial quarter ended 30 June 2005

	Financial quarter ended		Financial year to date	
	30-Jun-05 RM'000	30-Jun-04 RM'000	30-Jun-05 RM'000	30-Jun-04 RM'000
Operating revenue	17,157	23,371	84,004	88,352
Other operating income	619	5,503	2,433	10,833
	17,776	28,874	86,437	99,185
Personnel costs	(2,967)	(5,415)	(14,248)	(19,598)
Other operating expenses	(13,542)	(13,343)	(52,181)	(43,960)
Profit from operations	1,267	10,116	20,008	35,627
Finance cost	(535)	(1,026)	(3,073)	(4,536)
Share of results of associated company	-	(483)	(61)	(399)
Profit before taxation	732	8,607	16,874	30,692
Taxation	(705)	2,811	(5,690)	(1,143)
Net profit for the financial period	27	11,418	11,184	29,549
Earnings per share (sen)				
Basic	0.02	9.25	9.06	23.94
Fully diluted	0.02	9.25	9.06	23.94

The accompanying notes are an integral part of this Condensed Consolidated Income Statement.

HLG Capital Berhad
Condensed Consolidated Balance Sheet
As at 30 June 2005

	As at current financial quarter 30 Jun 2005 RM'000	As at preceding financial year ended 30 Jun 2004 RM'000
NON-CURRENT ASSETS		
Property and equipment	2,962	4,181
Associated company	-	1,967
Other investments	3,066	6,475
Goodwill on consolidation	4,957	5,337
Deferred tax assets	3,772	1,688
	14,757	19,648
CURRENT ASSETS		
Trade receivables	72,549	100,749
Other receivables	7,988	17,114
Other assets	-	45,701
Manager's stocks and promotional items	7,283	3,767
Marketable securities	-	125
Short term funds	115,298	71,954
	203,118	239,410
CURRENT LIABILITIES		
Short term borrowings	40,000	49,000
Trust accounts	12,281	12,931
Trade payables	38,090	45,692
Other payables	14,225	46,919
Taxation	1,531	3,929
	106,127	158,471
NET CURRENT ASSETS	96,991	80,939
	111,748	100,587
FINANCED BY:		
Share capital	123,448	123,448
Reserves	(12,639)	(23,823)
Shareholders' equity	110,809	99,625
Provision for retirement benefits	939	904
Deferred tax liabilities	-	58
	111,748	100,587
NET TANGIBLE ASSETS PER SHARE (sen)	86 sen	76 sen

The accompanying notes are an integral part of this Condensed Consolidated Balance Sheet.

HLG Capital Berhad

Condensed Consolidated Statement of Changes in Equity

For the financial quarter ended 30 June 2005

	Share capital RM'000	General reserve RM'000	Translation reserve RM'000	Accumulated losses RM'000	Total RM'000
As at 1 July 2004	123,448	543	-	(24,366)	99,625
Net profit for the financial period				11,184	11,184
Currency translation differences representing net gain not recognised in the income statement			-		-
Foreign exchange loss in Translation Reserve charged to Income Statement			-		-
As at 30 June 2005	123,448	543	-	(13,182)	110,809
As at 1 July 2003	123,448	543	(4,200)	(53,915)	65,876
Net profit for the financial period				29,549	29,549
Currency translation differences representing net loss not recognised in the income statement			(200)		(200)
Foreign exchange loss in Translation Reserve charged to Income Statement			4,400		4,400
As at 30 June 2004	123,448	543	-	(24,366)	99,625

The accompanying notes are an integral part of this Condensed Consolidated Statement of Changes in Equity.

HLG Capital Berhad

Condensed Consolidated Cash Flow Statement For the financial quarter ended 30 June 2005

	Financial quarter ended		Financial year to date	
	30-Jun-05 RM'000	30-Jun-04 RM'000	30-Jun-05 RM'000	30-Jun-04 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	732	8,607	16,874	30,692
Adjustments for non-cash items	9,390	(2,442)	10,065	3,184
Operating profit before working capital changes	10,122	6,165	26,939	33,876
Net increase/(decrease) in working capital	(1,369)	(1,666)	50,242	(78,144)
Cash generated from/(absorbed by) operations	8,753	4,499	77,181	(44,268)
Taxes refund/(paid)	(3,800)	(1,360)	(10,670)	1,828
Net other operating income	561	412	1,873	2,340
Net cash generated from/(used in) operating activities	5,514	3,551	68,384	(40,100)
CASH FLOW FROM INVESTING ACTIVITIES				
Net investment in property, equipment and investments	2,731	(186)	12,176	(637)
Net cash generated from/(used in) investing activities	2,731	(186)	12,176	(637)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid	(100)	(1,140)	(2,637)	(4,596)
Repayment of amount due to holding company	-	-	(25,000)	-
Repayment of short term borrowings	(9,000)	(39,000)	(22,000)	(47,000)
Drawdown of short term borrowing	-	20,000	13,000	20,000
Net cash used in financing activities	(9,100)	(20,140)	(36,637)	(31,596)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(855)	(16,775)	43,923	(72,333)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL QUARTER	92,588	64,585	47,810	120,143
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL QUARTER	91,733	47,810	91,733	47,810
ANALYSIS OF CASH AND CASH EQUIVALENTS				
Short term funds	115,298	71,954	115,298	71,954
Less: Monies held in trust	(23,565)	(24,144)	(23,565)	(24,144)
	91,733	47,810	91,733	47,810

The accompanying notes are an integral part of this Condensed Consolidated Cash Flow Statement.

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 30 June 2005

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 2004. 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 2004.

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the financial statements for the financial year ended 30 June 2004.

2. Status of matters giving rise to the auditors' qualified report in the audited financial statements for the financial year ended 30 June 2004

The auditors did not qualify the financial statements for the financial year ended 30 June 2004.

3. Seasonality or cyclicity of operations

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

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 2005.

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

There were no changes in financial estimates in the financial quarter ended 30 June 2005.

6. Issuance and repayment of debt and equity securities

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 30 June 2005

There were no issuance and repayments of debt and equity securities, shares buy-back, shares cancellation, shares held as treasury and resale of treasury shares for the financial quarter ended 30 June 2005.

The Executive Share Option Scheme ("ESOS") of the Company was implemented with effect from 25 May 2000. During the financial quarter under review, there were no new shares issued pursuant to exercise of the ESOS.

7. Dividends paid

There was no dividend paid during the financial quarter ended 30 June 2005.

8. Segmental reporting

(a) Segment information by activities for the financial year ended 30 June 2005.

	Stock- broking and related nominees services	Fund management and unit trust management	Corporate advisory services and mezzanine financing	Investment holding and others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30 June 2005						
REVENUE & EXPENSES						
Revenue						
Operating revenue	27,150	64,521	93	31,970	(39,730)	84,004
Results						
Profit/(loss) from operations	9,970	13,557	(2,531)	34,989	(35,982)	20,003
Profit on disposal of discontinuing operations	-	-	-	5	-	5
Profit from operation						20,008
Finance cost						(3,073)
Share of associated company's results		(61)				(61)
Taxation						(5,690)
Profit after taxation						11,184
30 June 2004						
REVENUE & EXPENSES						
Revenue						
Operating revenue	37,222	52,284	5,211	37,039	(43,404)	88,352
Results						
Profit from operations	25,515	12,984	2,667	31,642	(37,181)	35,627
Finance cost						(4,536)
Share of associated company's results		(399)				(399)
Taxation						(1,143)
Profit after taxation						29,549

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 30 June 2005

8. Segmental reporting (continued)

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

9. Property, plant and equipment

There were no significant disposals of property and equipment during the financial quarter ended 30 June 2005.

The additions of property and equipment during the financial quarter and year ended 30 June 2005 amounted to RM0.24 million and RM0.95 million respectively.

There was no valuation of property, plant and equipment during the financial quarter ended 30 June 2005.

10. Events after Balance Sheet date

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

11. Changes in composition of the Group

There were no changes in the composition of the Group during the financial year ended 30 June 2005 other than as mentioned below:-

- (a) The Company had, on 20 December 2004, acquired the entire equity interest comprising 2 ordinary shares of RM1.00 each in HLG Capital Advisory Sdn Bhd (formerly known as HLG Nominees Sdn Bhd) from HLG Securities Sdn Bhd, a wholly-owned subsidiary of the Company, for cash at par.
- (b) The Company had, on 29 March 2005, disposed off the entire equity interest comprising 51 million common shares of stocks in HLG Philippines, Inc ("HPI") to DHG Capital Holdings, Inc ("DHG") for a cash consideration of Peso141,433,000 (or approximately RM9.52 million).

12. Commitments

There were no commitments as at 30 June 2005.

HLG Capital Berhad

Notes to the interim financial statements

for the financial quarter ended 30 June 2005

13. Changes in contingencies

Details of contingent liability 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 2005.

14. 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.

Additional information required by the Listing Requirements of the Bursa Malaysia Securities Berhad

15. Performance review

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

For the financial quarter ended 30 June 2005, the Group registered a profit before taxation of RM732,000 compared to a profit before taxation of RM8.6 million in the previous corresponding financial quarter. The profit before taxation was lower in the current financial quarter under review due to lower business volume as a result of much poorer stock market conditions. There were also net provisions for doubtful debts amounting to RM 4.1 million that was made in the current financial quarter.

In the previous financial year the Group had an exceptional gain of RM 6.2 million arising from the receipt of approximately 2.3 million ordinary shares in Bursa Malaysia Berhad arising from its demutualisation exercise.

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 30 June 2005

15. Performance review (continued)

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

For the current financial year ended 30 June 2005, the Group registered a profit before taxation of RM16.9 million on RM84.0 million operating revenue compared to a profit before taxation of RM30.7 million on RM88.3 million operating revenue in the previous financial year.

The lower operating revenue and profit before taxation for the current financial year under review was mainly attributable to the lower business volume as a result of less favourable stock market conditions compared to the previous financial year. There were also net provisions for doubtful debts amounting to RM 4.1 million that was made in the current financial quarter.

In the previous financial year the Group had an exceptional gain of RM 6.2 million arising from the receipt of approximately 2.3 million ordinary shares in Bursa Malaysia Berhad arising from its demutualisation exercise.

16. Performance of current financial quarter under review against preceding financial quarter

For the current financial quarter ended 30 June 2005, the Group recorded a lower profit before taxation of RM732,000 compared to a profit before taxation of RM6.6 million in the preceding financial quarter.

The lower profit before taxation for the current financial quarter under review was mainly due to net provisions for doubtful debts amounting to RM 4.1 million and lower business volume as a result of much poorer stock market conditions compared to the preceding financial quarter.

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 new 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.

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 30 June 2005

19. Taxation

	Financial quarter ended		Financial year to date	
	30-6-2005	30-6-2004	30-6-2005	30-6-2004
	RM'000	RM'000	RM'000	RM'000
Tax expense on Malaysian tax				
– Current	1,800	809	6,140	7,764
– Under/(Over) provision in prior years	(797)	(1,888)	1,692	(4,995)
Transferred from deferred taxation	(298)	(1,630)	(2,142)	(1,630)
Foreign tax expense				
– Under provision in prior years	-		-	4
		(102)		
	705	(2,811)	5,690	1,143

The effective rate of taxation for the financial quarter and year ended 30 June 2005 were higher than the statutory rate primarily due to under provision of taxation in prior years.

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 except for the disposal of HPI as disclosed in the Notes 11 and 22. The disposal has resulted in a loss of RM4.5 million for the Group.

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 was no outstanding corporate proposal for the financial quarter under review.

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 30 June 2005

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.

26. Dividend

The Directors do not recommend any dividend to be paid for the financial quarter ended 30 June 2005.

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 30 June 2005

27. Earnings per share

(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	
	30-6-2005	30-6-2004	30-6-2005	30-6-2004
Net profit attributable to shareholders of the Company (RM'000):	27	11,418	11,184	29,549
Weighted average number of Ordinary Shares in issue ('000):	123,448	123,448	123,448	123,448
Basic earnings per share (Sen)	0.02	9.25	9.06	23.94

(b) Fully diluted earnings per share

The effect on the basic earnings per share arising from the assumed exercise of ESOS is anti-dilutive and hence has no effect on the fully-diluted earnings per share of the Group.