

# HLG Capital Berhad

## Condensed Consolidated Income Statement

For the financial quarter ended 31 December 2005

	Financial quarter ended		Financial year to date	
	31-Dec-05 RM'000	31-Dec-04 RM'000	31-Dec-05 RM'000	31-Dec-04 RM'000
Operating revenue	13,199	16,783	29,207	34,657
Other operating income	1,940	930	2,567	1,284
	15,139	17,713	31,774	35,941
Personnel costs	(3,867)	(3,530)	(7,460)	(7,603)
Other operating expenses	(5,953)	(7,479)	(14,211)	(16,921)
Profit from operations	5,319	6,704	10,103	11,417
Finance cost	(437)	(788)	(839)	(1,828)
Share of results of associated company	-	-	-	(61)
Profit before taxation	4,882	5,916	9,264	9,528
Taxation	(3,006)	(1,846)	(5,762)	(2,963)
Net profit/(loss) for the financial period	1,876	4,070	3,502	6,565
Earnings per share (sen)				
Basic	1.52	3.30	2.84	5.32
Fully diluted	1.52	3.30	2.84	5.32

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

# HLG Capital Berhad

## Condensed Consolidated Balance Sheet

As at 31 December 2005

	As at current financial quarter 31 Dec 2005 RM'000	As at preceding financial year ended 30 Jun 2005 RM'000
<b>NON-CURRENT ASSETS</b>		
Property and equipment	2,342	2,962
Other investments	3,066	3,066
Goodwill on consolidation	4,767	4,957
Deferred tax assets	3,772	3,772
	<b>13,947</b>	<b>14,757</b>
<b>CURRENT ASSETS</b>		
Trade receivables	150,216	72,549
Other receivables	10,957	7,988
Manager's stocks and promotional items	3,045	7,283
Marketable securities	3,073	-
Short term funds	125,799	115,298
	<b>293,090</b>	<b>203,118</b>
<b>CURRENT LIABILITIES</b>		
Short term borrowings	36,000	40,000
Trust accounts	11,205	12,281
Trade payables	129,939	38,090
Other payables	12,829	14,225
Taxation	1,798	1,531
	<b>191,771</b>	<b>106,127</b>
<b>NET CURRENT ASSETS</b>	<b>101,319</b>	<b>96,991</b>
	<b>115,266</b>	<b>111,748</b>
<b>FINANCED BY:</b>		
Share capital	123,448	123,448
Reserves	(9,136)	(12,639)
Shareholders' equity	114,312	110,809
Provision for retirement benefits	954	939
	<b>115,266</b>	<b>111,748</b>
<b>NET ASSETS PER SHARE (sen)</b>	<b>93 sen</b>	<b>90 sen</b>

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 31 December 2005

	Share capital RM'000	General reserve RM'000	Translation reserve RM'000	Accumulated losses RM'000	Total RM'000
As at 1 July 2005	123,448	543	-	(13,182)	110,809
Net profit for the financial period				3,502	3,502
Currency translation differences representing net gain not recognised in the income statement			-	-	-
Foreign exchange loss in Translation Reserve charged to Income Statement			-	-	-
As at 31 December 2005	123,448	543	-	(9,680)	114,312
As at 1 July 2004	123,448	543	-	(24,366)	99,625
Net profit for the financial period				6,565	6,565
Currency translation differences representing net gain not recognised in the income statement			-		-
Foreign exchange loss in Translation Reserve charged to Income Statement			-		-
As at 31 December 2004	123,448	543	-	(17,801)	106,190

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 31 December 2005

	Financial quarter ended		Financial year to date	
	31-Dec-05 RM'000	31-Dec-04 RM'000	31-Dec-05 RM'000	31-Dec-04 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	4,882	5,916	9,264	9,528
Adjustments for non-cash items	454	1,039	878	-
Operating profit before working capital changes	5,336	6,955	10,142	9,528
Net increase/(decrease) in working capital	(4,710)	21,768	12,287	45,959
Cash generated from/(absorbed by) operations	626	28,723	22,429	55,487
Taxes paid	(3,664)	(1,408)	(5,495)	(3,953)
Net other operating income	493	373	1,017	703
Net cash generated from/(used in) operating activities	(2,545)	27,688	17,951	52,237
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Net investment in property, equipment and investments	(197)	(172)	(3,250)	(84)
Net cash generated used in investing activities	(197)	(172)	(3,250)	(84)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Interest paid	(494)	(788)	(946)	(1,828)
Repayment of amount due to holding company	-	-	-	-
Repayment of short term borrowings	-	(2,000)	(4,000)	(13,000)
Drawdown of short term borrowing	-	3,000	-	3,000
Net cash generated from/(used in) financing activities	(494)	212	(4,946)	(11,828)
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(3,236)	27,728	9,755	40,325
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD</b>	104,724	60,810	91,733	48,213
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD</b>	101,488	88,538	101,488	88,538
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>				
Short term funds	125,799	112,397	125,799	112,397
Less: Monies held in trust	(24,311)	(23,859)	(24,311)	(23,859)
	101,488	88,538	101,488	88,538

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 31 December 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 2005. 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 2005.

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 2005.

**2. Status of matters giving rise to the auditors' qualified report in the audited financial statements for the financial year ended 30 June 2005**

The auditors did not qualify the financial statements for the financial year ended 30 June 2005.

**3. Seasonality or cyclicity of operations**

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

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**4. Exceptional items / unusual events**

There were no exceptional items or unusual events affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial quarter ended 31 December 2005.

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

There were no changes in financial estimates in the financial quarter ended 31 December 2005.

**6. Issuance and repayment of debt and equity securities**

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 31 December 2005.

The Executive Share Option Scheme ("ESOS") of the Company was implemented with effect from 25 May 2000. The scheme has since expired with effect from 25 May 2005.

The establishment of a new ESOS of up to 15% of the Issued and Paid Up Ordinary Share Capital of the Company has been approved by shareholders in the Annual General Meeting of the Company held on 8 November 2005.

**7. Dividends paid**

There was no dividend paid during the financial quarter ended 31 December 2005.

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**8. Segmental reporting**

(a) Segment information by activities for the financial period ended 31 December 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
<b>31 December 2005</b>						
<b>REVENUE &amp; EXPENSES</b>						
<b>Revenue</b>						
Operating revenue	10,730	22,859	76	5,800	(10,258)	29,207
<b>Results</b>						
Profit/(loss) from operations	5,675	5,395	(250)	5,526	(6,244)	10,102
Finance cost						(839)
Share of associated company's results						-
Taxation						(5,762)
Profit after taxation						3,502
<b>31 December 2004</b>						
<b>REVENUE &amp; EXPENSES</b>						
<b>Revenue</b>						
Operating revenue	14,131	20,047	474	18,075	(18,070)	34,657
<b>Results</b>						
Profit/(loss) from operations	6,663	5,150	(45)	17,863	(18,214)	11,417
Finance cost						(1,828)
Share of associated company's results		(61)				(61)
Taxation						(2,963)
Profit after taxation						6,565

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

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**9. Property, plant and equipment**

There were no significant disposals of property and equipment during the financial quarter ended 31 December 2005.

The additions of property and equipment during the financial quarter and period ended 31 December 2005 amounted to RM0.22 million and RM0.29 million respectively.

There was no valuation of property, plant and equipment during the financial quarter ended 31 December 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**

(a) There were no changes in the composition of the Group during the financial quarter ended 31 December 2005.



**HLG Capital Berhad**  
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**12. Commitments**

There were no commitments as at 31 December 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 31 December 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.

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**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 31 December 2005, the Group registered a lower profit before taxation of RM4.9 million compared to a profit before taxation of RM5.9 million in the previous corresponding financial quarter. The profit before taxation was lower in the current financial quarter under review due to lower HLG Unit Trust service fee income compared to previous corresponding financial quarter. The lower service fee income is due to lower unit trust fund sales in the current quarter.

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

For the current financial quarter ended 31 December 2005, the Group recorded a higher profit before taxation of RM4.9 million compared to a profit before taxation of RM4.4 million in the preceding financial quarter.

The higher profit before taxation for the current financial quarter under review was mainly due to debt recoveries in the current 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 current 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**  
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**19. Taxation**

	Financial quarter ended		Financial year to date	
	31-12-2005	31-12-2004	31-12-2005	31-12-2004
	RM'000	RM'000	RM'000	RM'000
Tax expense on Malaysian tax				
– Current	1,450	1,681	3,168	2,798
– Under provision in prior years	1,556	165	2,594	165
	<b>3,006</b>	<b>1,846</b>	<b>5,762</b>	<b>2,963</b>

The effective rate of taxation for the financial quarter and year ended 31 December 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.

**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.

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**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 31 December 2005.

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**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	
	31-12-2005	31-12-2004	31-12-2005	31-12-2004
Net profit/(loss) attributable to shareholders of the Company (RM'000):	1,876	4,070	3,502	6,565
Weighted average number of Ordinary Shares in issue ('000):	123,448	123,448	123,448	123,448
Basic earnings Per share (Sen)	1.52	3.30	2.84	5.32

(b) Fully diluted earnings per share

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