

# HLG Capital Berhad

## Condensed Consolidated Income Statement

For the financial quarter ended 31 March 2006

	Financial quarter ended		Financial year to date	
	31-Mar-06 RM'000	31-Mar-05 RM'000	31-Mar-06 RM'000	31-Mar-05 RM'000
Operating revenue	18,401	32,190	47,608	66,847
Other operating income	1,993	530	4,560	1,814
Personnel costs	20,394	32,720	52,168	68,661
Other operating expenses	(4,110)	(3,678)	(11,570)	(11,281)
Profit from operations	(10,336)	(21,718)	(24,547)	(38,639)
Finance cost	5,948	7,324	16,051	18,741
Share of results of associated company	(569)	(710)	(1,408)	(2,538)
Profit before taxation	-	-	-	(61)
Taxation	5,379	6,614	14,643	16,142
Net profit/(loss) for the financial period	(1,772)	(2,022)	(7,534)	(4,985)
	3,607	4,592	7,109	11,157
Earnings per share (sen)				
Basic	2.92	3.72	5.76	9.04
Fully diluted	2.92	3.72	5.76	9.04

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

**HLG Capital Berhad**  
**Condensed Consolidated Balance Sheet**  
**As at 31 March 2006**

	<b>As at current financial quarter 31 Mac 2006 RM'000</b>	<b>As at preceding financial year ended 30 Jun 2005 RM'000</b>
<b>NON-CURRENT ASSETS</b>		
Property and equipment	2,603	2,962
Other investments	3,066	3,066
Goodwill on consolidation	4,672	4,957
Deferred tax assets	3,772	3,772
	<b>14,114</b>	<b>14,757</b>
<b>CURRENT ASSETS</b>		
Trade receivables	110,088	72,549
Other receivables	8,724	7,988
Manager's stocks and promotional items	7,059	7,283
Marketable securities	3,158	-
Short term funds	262,302	115,298
	<b>391,331</b>	<b>203,118</b>
<b>CURRENT LIABILITIES</b>		
Short term borrowings	36,000	40,000
Trust accounts	14,534	12,281
Trade payables	94,413	38,090
Other payables	140,252	14,225
Taxation	1,367	1,531
	<b>286,566</b>	<b>106,127</b>
<b>NET CURRENT ASSETS</b>	<b>104,765</b>	<b>96,991</b>
	<b>118,879</b>	<b>111,748</b>
<b>FINANCED BY:</b>		
Share capital	123,448	123,448
Reserves	(5,530)	(12,639)
Shareholders' equity	117,918	110,809
Provision for retirement benefits	961	939
	<b>118,879</b>	<b>111,748</b>
<b>Net assets per share attributable to ordinary equity holders of the parent (sen)</b>	<b>96 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 March 2006

	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				7,109	7,109
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 March 2006	123,448	543	-	(6,073)	117,918
As at 1 July 2004	123,448	543	-	(24,366)	99,625
Net profit for the financial period				11,157	11,157
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 March 2005	123,448	543	-	(13,209)	110,782

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 March 2006

	Financial quarter ended		Financial year to date	
	31-Mar-06 RM'000	31-Mar-05 RM'000	31-Mar-06 RM'000	31-Mar-05 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	5,379	6,614	14,643	16,142
Adjustments for non-cash items	310	675	1,177	675
Operating profit before working capital changes	5,691	7,289	15,821	16,817
Net increase/(decrease) in working capital	132,559	5,248	145,730	51,208
Cash generated from/(absorbed by) operations	138,250	12,537	161,551	68,025
Taxes paid	(2,183)	(2,917)	(7,953)	(6,870)
Net other operating income	580	609	1,597	1,312
Net cash generated from/(used in) operating activities	136,647	10,229	155,195	62,467
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Net investment in property, equipment and investments	(562)	9,529	(4,764)	9,445
Net cash generated used in investing activities	(562)	9,529	(4,764)	9,445
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Interest paid	(487)	(709)	(1,433)	(2,537)
Repayment of amount due to holding company	-	(25,000)	-	(25,000)
Repayment of short term borrowings	-	-	(4,000)	(13,000)
Drawdown of short term borrowing	-	10,000	-	13,000
Net cash generated from/(used in) financing activities	(487)	(15,709)	(5,433)	(27,537)
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	135,598	4,049	144,998	44,375
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD</b>	101,133	88,539	91,733	48,213
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD</b>	236,730	92,588	236,730	92,588
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>				
Short term funds	262,302	118,141	262,302	118,141
Less: Monies held in trust	(25,572)	(25,553)	(25,572)	(25,553)
	236,730	92,588	236,730	92,588

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 March 2006**

**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 March 2006.

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

There were no changes in financial estimates in the financial quarter ended 31 March 2006.

**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 March 2006.

**7. Dividends paid**

There was no dividend paid during the financial quarter ended 31 March 2006.

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**8. Segmental reporting**

(a) Segment information by activities for the financial period ended 31 March 2006

	Stock- broking and related activities	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 March 2006</b>						
<b>REVENUE &amp; EXPENSES</b>						
<b>Revenue</b>						
Operating revenue	16,391	36,961	871	12,800	(19,415)	47,608
<b>Results</b>						
Profit/(loss) from operations	9,478	7,816	(264)	12,376	(13,355)	16,051
Finance cost						(1,408)
Share of associated company's results						-
Taxation						(7,534)
Profit after taxation						7,109
<b>31 March 2005</b>						
<b>REVENUE &amp; EXPENSES</b>						
<b>Revenue</b>						
Operating revenue	22,024	44,342	474	22,477	(22,470)	66,847
<b>Results</b>						
Profit/(loss) from operations	10,562	8,848	(53)	26,663	(27,279)	18,741
Finance cost						(2,538)
Share of associated company's results		(61)				(61)
Taxation						(4,985)
Profit after taxation						11,157

(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**

The disposal of property and equipment during the financial quarter and period ended 31 March 2006 amounted to RM0.16 million and RM0.44 million respectively.

The profit from disposal of property and equipment during the financial quarter and period ended amounted to RM0.04 million and RM0.1 million respectively.

The additions of property and equipment during the financial quarter and period ended 31 March 2006 amounted to RM0.61 million and RM0.89 million respectively.

There was no valuation of property, plant and equipment during the financial quarter ended 31 March 2006.

**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 March 2006.



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

There were no commitments as at 31 March 2006.

**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 March 2006.

**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 March 2006, the Group registered a lower profit before taxation of RM5.4 million compared to a profit before taxation of RM6.6 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 fee income compared to previous corresponding financial quarter.

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

For the current financial quarter ended 31 March 2006, the Group recorded a higher profit before taxation of RM5.4 million compared to a profit before taxation of RM4.9 million in the preceding financial quarter.

The higher profit before taxation for the current financial quarter under review was mainly due to higher brokerage income as a result of improved market sentiment.

**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.

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**19. Taxation**

	Financial quarter ended		Financial year to date	
	31-3-2006	31-3-2005	31-3-2006	31-3-2005
	RM'000	RM'000	RM'000	RM'000
Tax expense on Malaysian tax				
– Current	1,772	1,542	4,941	4,340
– Under provision in prior years	-	2,324	2,593	2,489
Transferred from deferred taxation	-	(1,844)	-	(1,844)
	1,772	2,022	7,534	4,985

The effective rate of taxation for the financial quarter ended 31 March 2006 was higher than the statutory rate primarily due to under provision adjusted in the current quarter. The effective rate of taxation for the financial year ended 31 March 2006 was 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 were no corporate proposals announced but not completed as at the date of this report other than as mentioned below:-

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

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the exercise of options under the Scheme was obtained on 17 January 2006. The Scheme was established on 23 January 2006.

**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 March 2006.

**HLG Capital Berhad**  
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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	
	31-3-2006	31-3-2005	31-3-2006	31-3-2005
Net profit/(loss) attributable to shareholders of the Company (RM'000):	3,607	4,592	7,109	11,157
Weighted average number of Ordinary Shares in issue ('000):	123,448	123,448	123,448	123,448
<b>Basic earnings Per share (Sen)</b>	<b>2.92</b>	<b>3.72</b>	<b>5.76</b>	<b>9.04</b>

(b) Fully diluted earnings per share

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