

HLG Capital Berhad
Condensed Consolidated Income Statement
For the financial quarter ended 30 June 2006

	Financial quarter ended		Financial year to date	
	30-Jun-06 RM'000	30-Jun-05 RM'000	30-Jun-06 RM'000	30-Jun-05 RM'000
Operating revenue	25,927	17,157	73,534	84,004
Other operating income	5,968	619	10,528	2,433
	31,895	17,776	84,062	86,437
Personnel costs	(2,042)	(2,967)	(13,612)	(14,248)
Other operating expenses	(15,889)	(13,542)	(40,435)	(52,181)
Profit from operations	13,964	1,267	30,015	20,008
Finance cost	(787)	(535)	(2,195)	(3,073)
Share of results of associated company	-	-	-	(61)
Profit before taxation	13,177	732	27,820	16,874
Taxation	(1,918)	(705)	(9,452)	(5,690)
Net profit/(loss) for the financial period	11,259	27	18,368	11,184
Earnings per share (sen)				
Basic	9.12	0.02	14.88	9.06
Fully diluted	9.12	0.02	14.88	9.06

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

HLG Capital Berhad

Condensed Consolidated Balance Sheet

As at 30 June 2006

	As at current financial quarter 30 June 2006 RM'000	As at preceding financial year ended 30 Jun 2005 RM'000
NON-CURRENT ASSETS		
Property and equipment	2,722	2,962
Other investments	248	3,066
Goodwill on consolidation	4,577	4,957
Deferred tax assets	3,473	3,772
	11,020	14,757
CURRENT ASSETS		
Trade receivables	63,501	72,549
Other receivables	4,975	7,988
Manager's stocks and promotional items	2,920	7,283
Marketable securities	10,030	-
Short term funds	152,962	115,298
	234,388	203,118
CURRENT LIABILITIES		
Short term borrowings	32,000	40,000
Trust accounts	21,875	12,281
Trade payables	48,715	38,090
Other payables	12,837	14,225
Taxation	929	1,531
	116,356	106,127
NET CURRENT ASSETS	118,032	96,991
	129,052	111,748
FINANCED BY:		
Share capital	123,448	123,448
Shares held by ESOS Trust	(1,092)	-
Reserves	5,729	(12,639)
Shareholders' equity	128,085	110,809
Provision for retirement benefits	967	939
	129,052	111,748
Net assets per share attributable to ordinary equity holders of the parent (sen)*	105 sen	90 sen

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

* 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 Statement of Changes in Equity
For the financial quarter ended 30 June 2006

	Share capital RM'000	Shares held by ESOS Trust RM'000	General reserve RM'000	Translation reserve RM'000	Accumulated losses / Retained earnings RM'000	Total RM'000
As at 1 July 2005	123,448	-	543	-	(13,182)	110,809
Net profit for the financial year					18,368	18,368
Purchase during the year		(1,092)				(1,092)
As at 30 June 2006	123,448	(1,092)	543	-	5,186	128,085
As at 1 July 2004	123,448	-	543	-	(24,366)	99,625
Net profit for the financial year					11,184	11,184
As at 30 June 2005	123,448	-	543	-	(13,182)	110,809

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 2006

	Financial quarter ended		Financial year to date	
	30-Jun-06 RM'000	30-Jun-05 RM'000	30-Jun-06 RM'000	30-Jun-05 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	13,177	732	27,820	16,874
Adjustments for non-cash items	(8,893)	9,390	(7,716)	10,065
Operating profit before working capital changes	4,284	10,122	20,104	26,939
Net increase/(decrease) in working capital	(115,556)	(1,369)	30,174	50,242
Cash generated from/(absorbed by) operations	(111,272)	8,753	50,278	77,181
Taxes paid	(1,782)	(3,800)	(9,735)	(10,670)
Net other operating income	892	561	2,489	1,873
Net cash generated from/(used in) operating activities	(112,162)	5,514	43,032	68,384
CASH FLOW FROM INVESTING ACTIVITIES				
Net investment in property, equipment and investments	2,952	2,731	(1,812)	12,176
Net cash generated used in investing activities	2,952	2,731	(1,812)	12,176
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid	(182)	(100)	(1,615)	(2,637)
Repayment of amount due to holding company	-	-	-	(25,000)
Repayment of short term borrowings	(4,000)	(9,000)	(8,000)	(22,000)
Drawdown of short term borrowing	-	-	-	13,000
Purchase of shares held by ESOS Trust	(1,092)	-	(1,092)	-
Net cash generated from/(used in) financing activities	(5,274)	(9,100)	(10,707)	(36,637)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(114,484)	(855)	30,513	43,923
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	236,730	92,588	91,733	47,810
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	122,246	91,733	122,246	91,733
ANALYSIS OF CASH AND CASH EQUIVALENTS				
Short term funds	152,962	115,298	152,962	115,298
Less: Monies held in trust	(30,716)	(23,565)	(30,716)	(23,565)
	122,246	91,733	122,246	91,733

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 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 audited 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.

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 2006.

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 2006.

HLG Capital Berhad
Notes to the interim financial statements
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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 period ended 30 June 2006 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.

- b) During the financial year, the Company established a trust for its employees pursuant to a new ESOS ("ESOS Trust"). 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 1,209,100 shares in the Company costing RM1,092,000, inclusive of transaction costs, as at 30 June 2006.

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

7. Dividends paid

There was no dividend paid during the financial quarter ended 30 June 2006.

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for the financial quarter ended 30 June 2006

8. Segmental reporting

(a) Segment information by activities for the financial period ended 30 June 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
30 June 2006						
REVENUE & EXPENSES						
Revenue						
Operating revenue	25,374	56,973	1,099	33,850	(43,761)	73,535
Results						
Profit/(loss) from operations	22,535	11,299	446	30,745	(35,011)	30,015
Finance cost						(2,195)
Share of associated company's results						-
Taxation						(9,452)
Profit after taxation						18,368
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 from disposal of discontinuing operations				5		5
Finance cost						(3,073)
Share of associated company's results		(61)				(61)
Taxation						(5,690)
Profit after taxation						11,184

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

9. Property, plant and equipment

The disposal of property and equipment during the financial quarter and year ended 30 June 2006 amounted to RM0.21 million and RM0.59 million respectively.

The profit from disposal of property and equipment during the financial quarter and year ended 30 June 2006 amounted to RM0.06 million and RM0.22 million respectively.

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9. Property, plant and equipment (continued)

The additions of property and equipment during the financial quarter and year ended 30 June 2006 amounted to RM0.42 million and RM1.32 million respectively.

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

There were no changes in the composition of the Group during the financial quarter ended 30 June 2006.

12. Commitments

There were no commitments as at 30 June 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 30 June 2006.

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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 2006, the Group registered a higher profit before taxation of RM13.2 million compared to a profit before taxation of RM0.7 million in the previous corresponding financial quarter. The profit before taxation was higher in the current financial quarter under review mainly due to higher brokerage income as a result of improved market sentiment. The Group also benefited from the gain on sale of Bursa shares amounting to RM6.7m.

b) Current financial year under review against previous financial year

For the current financial year ended 30 June 2006, the Group registered a profit before taxation of RM27.8 million on RM73.5 million operating revenue compared to a profit before taxation of RM16.9 million on RM84.0 million operating revenue in the previous financial year.

The lower operating revenue for the current financial year is mainly due to lower unit trust sales as compared to the previous corresponding year.

The higher profit before taxation for the current financial year also included the profit from the disposal of Bursa shares by HLG Securities which resulted in a gain amounting to RM7.9 million.

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

For the current financial quarter ended 30 June 2006, the Group recorded a higher profit before taxation of RM13.2 million compared to a profit before taxation of RM5.4 million in the preceding financial quarter.

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16. Performance of current financial quarter under review against preceding financial quarter (continued)

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. The Group also benefited from the gain on sale of Bursa shares amounting to RM6.7m.

17. Prospects for the next financial year

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

18. Variance in profit forecast and shortfall in profit guarantee

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

19. Taxation

	Financial quarter ended		Financial year to date	
	30-6-2006	30-6-2005	30-6-2006	30-6-2005
	RM'000	RM'000	RM'000	RM'000
Tax expense on Malaysian tax				
– Current	1,619	1,800	6,560	6,140
– Under provision in prior years	-	(797)	2,593	1,692
Transferred from deferred taxation	299	(298)	299	(2,142)
	1,918	705	9,452	5,690

The effective rate of taxation for the financial quarter ended 30 June 2006 was lower than the statutory rate primarily due to non-taxable profit. The effective rate of taxation for the financial year ended 30 June 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.

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21. Purchase / disposal of quoted securities of the Group

There were no purchases or disposals of quoted investments by the Group for the financial quarter under review other than those transacted by the stockbroking subsidiary in the ordinary course of business.

22. Status of corporate proposal

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

23. Group borrowings

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

24. Off-balance sheet financial instruments

There were no contracts involving off balance sheet financial instruments that will significantly affect the risk or performance of the Group as at the date of issue of the Report.

25. Material litigation

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

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

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26. Dividends

The Board of Directors has recommended a final dividend of 4 sen per share less 28% income tax for the financial year ended 30 June 2006. The proposed dividend is subject to shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect the proposed dividend. Such dividend, if approved by the shareholders, will be accounted in shareholders' equity as an appropriation of retained profits in the financial year ending 30 June 2007. The entitlement and payment date will be announced at a date to be determined by the directors.

27. Earnings per share ("EPS")

(a) Basic earnings per share

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

	Financial quarter ended		Financial year to date	
	30-6-2006	30-6-2005	30-6-2006	30-6-2005
Net profit/(loss) attributable to shareholders of the Company (RM'000):	11,259	27	18,368	11,184
Weighted average number of Ordinary Shares in issue ('000):	123,442	123,448	123,442	123,448
Basic earnings Per share (Sen)	9.12	0.02	14.88	9.06

(b) Fully diluted earnings per share

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