

**QUARTERLY REPORT – First Quarter Ended 31 March 2006****CONDENSED CONSOLIDATED INCOME STATEMENT**

For the quarter ended 31 March 2006

	CURRENT QUARTER		CUMULATIVE QUARTER	
	<i>3 months ended 31 March</i>		<i>3 months ended 31 March</i>	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Revenue	63,727	65,176	63,727	65,176
Cost of sales	(51,235)	(54,160)	(51,235)	(54,160)
Gross profit	12,492	11,016	12,492	11,016
Other income	64	705	64	705
Interest Income	394	276	394	276
Administrative expenses	(2,663)	(2,507)	(2,663)	(2,507)
Interest expense	-	-	-	-
Profit before taxation	10,287	9,490	10,287	9,490
Income tax expense	(2,957)	(2,739)	(2,957)	(2,739)
Profit for the period	7,330	6,751	7,330	6,751
Attributable to:				
Shareholders of the Company	7,330	6,751	7,330	6,751
Minority interest	-	-	-	-
Profit for the period	7,330	6,751	7,330	6,751
Earnings per share				
Basic Earnings per Ordinary Share (sen)	6.47	5.88	6.47	5.88
Diluted Earnings per Ordinary Share (sen)	-	-	-	-

The notes set out on pages 5 to 7 form an integral part of, and should be read in conjunction with this interim financial report and the Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Report for the year ended 31 December 2005.



QUARTERLY REPORT – First Quarter Ended 31 March 2006

CONDENSED CONSOLIDATED BALANCE SHEET

At 31 March 2006

	31 March 2006 RM'000	31 December 2005 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	36,965	36,858
Land held for property development	17,638	17,636
	54,603	54,494
Current Assets		
Inventories	920	1,300
Property development costs	20,298	21,591
Trade and other receivables	127,076	153,691
Deposits, cash and bank balances	61,557	33,935
	209,851	210,517
TOTAL ASSETS	264,454	265,011
EQUITY		
Share capital	116,535	116,535
Capital Redemption Reserves	2,165	2,165
Retained profits	73,976	66,646
Treasury Shares	(9,856)	(9,054)
Total Equity attributable to Shareholders of the Company	182,820	176,292
Minority Interest	-	-
TOTAL EQUITY	182,820	176,292
LIABILITIES		
Non-current Liabilities		
Deferred taxation	7,086	7,263
Current Liabilities		
Trade and other payables	70,350	77,491
Taxation	4,198	3,965
	74,548	81,456
TOTAL LIABILITIES	81,634	88,719
TOTAL EQUITY AND LIABILITIES	264,454	265,011

The notes set out on pages 5 to 7 form an integral part of, and should be read in conjunction with this interim financial report and the Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 31 December 2005

**QUARTERLY REPORT – First Quarter Ended 31 March 2006****CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

For the quarter ended 31 March 2006

	3 months ended	
	31 March	
	2006	2005
	RM'000	RM'000
Net Profit before taxation	10,287	9,490
Adjustments:-		
Depreciation	1,280	1,918
Gain on disposal of property, plant & equipment	(9)	(661)
Interest income	(394)	(276)
Operating profit before changes in working capital	11,164	10,471
Changes in working capital		
Net change in inventories	380	534
Net change in property development costs (net of interest expense)	1,294	(945)
Net change in trade & other receivables	26,672	(9,195)
Net change in trade & other payables	(7,142)	(22,650)
Cash generated from / (used in) operating activities	32,368	(21,785)
Income taxes paid	(2,901)	(2,668)
Overdraft interest paid	-	-
Net cash generated from / (used in) operating activities	29,467	(24,453)
Investing Activities		
Purchase of property, plant & equipment	(1,434)	(42)
Proceeds from disposal of property, plant & equipment	56	2,748
Land held for property development (net of interest expense)	(2)	(1,656)
Interest received	337	276
Net cash (used in) / generated from investing activities	(1,043)	1,326
Financing Activities		
Purchase of own shares	(802)	(811)
Net cash used in financing activities	(802)	(811)
Net Change in Cash & Cash Equivalents	27,622	(23,938)
Cash & Cash Equivalents at 1 January 2006 / 1 January 2005	33,235	68,531
Cash & Cash Equivalents at 31 March 2006 / 31 March 2005	60,857	44,593

The notes set out on pages 5 to 7 form an integral part of, and should be read in conjunction with this interim financial report and the Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 December 2005.

**QUARTERLY REPORT – First Quarter Ended 31 March 2006****CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the quarter ended 31 March 2006

	SHARE CAPITAL	CAPTIAL REDEMPTION RESERVE	RETAINED PROFITS	TREASURY SHARES	TOTAL EQUITY
	RM'000	RM'000	RM'000	RM'000	RM'000
3 months ended 31 March 2006					
Balance at 1 January 2006	116,535	2,165	66,646	(9,054)	176,292
Net profit for the period	-	-	7,330	-	7,330
Treasury shares, at cost	-	-	-	(802)	(802)
Balance at 31 March 2006	116,535	2,165	73,976	(9,856)	182,820
3 months ended 31 March 2005					
Balance at 1 January 2005	116,535	2,165	45,138	(5,059)	158,779
Net profit for the period	-	-	6,751	-	6,751
Treasury shares, at cost	-	-	-	(811)	(811)
Balance at 31 March 2005	116,535	2,165	51,889	(5,870)	164,719

The notes set out on pages 5 to 7 form an integral part of, and should be read in conjunction with this interim financial report and the Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2005.



QUARTERLY REPORT – First Quarter Ended 31 March 2006

NOTES TO THE INTERIM FINANCIAL REPORT

For the quarter ended 31 March 2006

1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad, including compliance with Financial Reporting Standard (FRS) 134²⁰⁰⁴: Interim Financial Reporting, issued by the Malaysian Accounting Standards Board (MASB).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2005 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2006 annual financial statements. Details of these changes in accounting policies are set out in Note 2.

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2005. It contains condensed consolidated financial statements and selected explanatory notes. The notes include 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 year ended 31 December 2005. The condensed consolidated interim financial statements and notes thereon do not include all the information required for full set of financial statements prepared in accordance with FRSs.

2. Changes in Accounting Policies

The MASB has issued the following new/revised FRSs that are effective for accounting periods beginning on or after 1 January 2006:-

- FRS 1 First-time Adoption of Financial Reporting Standards
- FRS 2 Share-based Payment
- FRS 3 Business Combinations
- FRS 5 Non-current Assets Held for Sale and Discontinued Operations
- FRS 101 Presentation of Financial Statements
- FRS 102 Inventories
- FRS 108 Accounting Policies, Changes in Estimates and Errors
- FRS 110 Events after the Balance Sheet Date
- FRS 116 Property, Plant and Equipment
- FRS 121 The Effects of Changes in Foreign Exchange Rates
- FRS 127 Consolidated and Separate Financial Statements
- FRS 128 Investments in Associates
- FRS 131 Interests in Joint Ventures
- FRS 132 Financial Instruments: Disclosure and Presentation
- FRS 133 Earnings Per Share
- FRS 136 Impairment of Assets
- FRS 138 Intangible Assets
- FRS 140 Investment Property

The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group's annual financial statements for the year ending 2006 on the basis of the FRSs currently in issue. The FRSs that will be effective in the annual financial statements for the year ending 31 December 2006 may be affected by the issue of additional interpretations or other changes announced by the MASB subsequent to the date of issuance of this interim financial report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report.



QUARTERLY REPORT – First Quarter Ended 31 March 2006

The following sets out further information on the changes in accounting policies for the annual accounting period beginning on 1 January 2006 which have been reflected in this interim financial report.

FRS 101: Presentation of Financial Statements

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

3. Audit Report

The auditors have expressed an unqualified opinion on the Group's and Company's statutory financial statements for the year ended 31 December 2005 in their report dated 27 February 2006.

4. Seasonality and Cyclicity of Operations

The business operations of the Group are not materially affected by any seasonal or cyclical factors except that the level of construction activities in the first quarter of the year and during rainy season is generally lower.

5. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current quarter and financial year to date except as disclosed in Note 2 and Note 6.

6. Changes in estimates

Previously, the residual values of property, plant and equipment were estimated only at the date of acquisition and not subsequently reviewed. The revised FRS 116 requires the residue values of property, plant and equipment to be reviewed and adjusted as appropriate at each balance sheet date. The Group re-measured the residual values of its property, plant and equipment on 1 January 2006 and revised the residue values of certain vessels, plant and machinery. The revisions are accounted for as a change in accounting estimates and as a result, the depreciation charges for the current quarter have been reduced by RM0.54 million.

There were no other changes in estimates that have had a material effect in the current quarter results.

7. Debt and Equity Securities etc

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities except for the following:

Share Buy Back

During the current quarter under review, the Company purchased 261,800 of its own shares from the open market at a total cost of RM801,494. The average cost paid for the shares repurchased during the current quarter was RM3.06 per share. All the repurchase transactions were financed by internally generated funds.

As at 31 March 2006, a total of 3,289,600 shares purchased back were held as treasury shares at a total cost of RM9,855,774. None of the shares purchased back was resold or cancelled during the quarter under review.

On 18 May 2006, the shareholders of the Company renewed the authority for the Company to repurchase its own shares up to ten percent of the issued and paid up capital of the Company.

8. Dividend Paid

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



QUARTERLY REPORT – First Quarter Ended 31 March 2006

9. Segmental Reporting

Business segments	3 months ended 31 March					
	Construction		Property development		Consolidated	
	2006	2005	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	54,633	61,776	9,094	3,400	63,727	65,176
Segment result	<u>7,365</u>	<u>8,123</u>	<u>2,528</u>	<u>1,091</u>	<u>9,893</u>	<u>9,214</u>
Interest income					394	276
Profit before tax					10,287	9,490
Tax expense					(2,957)	(2,739)
Profit after tax					<u>7,330</u>	<u>6,751</u>

The activities of the Group are carried out in Malaysia and as such, segmental reporting by geographical locations is not presented.

10. Valuation of Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. The Group did not revalue any of its property, plant and equipment.

11. Subsequent Material Events

There were no material events subsequent to the end of the period reported on till the date of this quarterly report.

12. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter under review.

13. Contingent Liabilities

There were no contingent liabilities in respect of the Group that have arisen since 31 December 2005 till the date of this quarterly report.

14. Commitment

The amount of commitment for the purchase of land held for property development not provided for in the interim financial report as at 31 March 2006 is as follows:-

	3 months ended 31 March	
	2006	2005
	RM'000	RM'000
Approved and contracted for	<u>3,120</u>	<u>-</u>

15. Related Party Transactions

The Shareholders' mandate for the Group to enter into related party transaction was approved at the Annual General Meeting held on 18 May 2006. The aggregate gross value of significant recurrent related party transactions for the three months period ended 31 March 2006 were as follows:-

	3 months ended 31 March	
	2006	2005
	RM'000	RM'000
Aggregate gross value of significant recurrent related party transactions	<u>4,961</u>	<u>11,698</u>

The significant related party transactions comprise transactions with companies controlled by or connected to certain substantial shareholders and/or Directors of the Company, namely:

- i) Yii Chi Hau, Yu Chee Lieng, Yu Chee Hoe and Yii Chee Sing (Yu/Yii Brothers); and
- ii) Lau Kiing Kang and Lau Kiing Yiing (brothers-in-law of the Yu/Yii Brothers).

The above transactions have been entered into in the ordinary course of business and are on terms not more favourable to the Related Party than those generally available to the public.



QUARTERLY REPORT – First Quarter Ended 31 March 2006

ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS

For the quarter ended 31 March 2006

16. Review of Performance

The revenue of the Group for the quarter under review is RM63.73 million against the preceding year corresponding quarter's figure of RM65.18 million. Net profit before tax of the Group for the current quarter is RM10.29 million as compared to RM9.49 million for the preceding year's corresponding quarter, representing an increase of 8%.

17. Variation of Results against Immediate Preceding Quarter

The net profit before tax of the Group for the current quarter is RM10.29 million as compared to RM12.29 million for the immediate preceding quarter. The revenue of the Group for the current quarter is RM63.73 million as compared to the immediate preceding quarter of RM77.40 million.

18. Current Year Prospects

The initiatives recently announced as part of the Ninth Malaysia Plan (9MP) are expected to stimulate the domestic construction industry. HSL's home state of Sarawak is one of the major beneficiaries of the 9MP with some RM13.5 billion allocated for its development. The Group is currently striving to capture new construction projects as they flow down from this allocation. The completion of significant engineering feats and higher profile projects in 2005 coupled with a sound financial standing, positions HSL with strong credentials to bid for new contracts.

The property sector of the Group continues to tap into the demand for innovatively designed, yet affordable housing in Kuching. The year ahead will see several new project launches and considerable construction activity to deliver the large volume of sold homes. As anticipated, this sector is growing steadily as a contributor to the Group's revenue and earnings.

19. Actual profit vs forecast profit / Profit guarantee

This note is not applicable, as no profit forecast was published and the Group is not required to give any profit guarantee.

20. Tax Expense

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March		3 months ended 31 March	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Current Tax Expense - Malaysian				
Current Period	3,135	3,533	3,135	3,533
Deferred Tax Expense - Malaysian				
Current Period	(178)	(794)	(178)	(794)
Total Taxation	2,957	2,739	2,957	2,739

Reconciliation of tax charge

Profit before taxation	10,287	9,490	10,287	9,490
Income tax using Malaysian tax rates	2,870	2,646	2,870	2,646
Non-deductible expenses	87	93	87	93
Tax expense	2,957	2,739	2,957	2,739



QUARTERLY REPORT – First Quarter Ended 31 March 2006

21. Unquoted Investments and/or Properties

There was no sale of unquoted investments and/or properties during the current quarter under review.

22. Quoted Investments

(a) There were no purchases or disposals of quoted securities during the current quarter under review and therefore no profit or loss arising therefrom; and

(b) The Group has no other investments in quoted securities as at the end of the reporting period.

23. Status of Corporate Proposals

There was no corporate proposal announced but not completed at the date of this quarterly report.

24. Group Borrowings and Debt Securities

The Group has a project carried out under the deferred payment scheme financed by Bank Pembangunan Malaysia Berhad. Under the scheme, the progress claims approved by the Government are paid by the lender bank. As at 31 March 2006, a total of RM117,862,573 have been received from the bank under the scheme. 50% of the deferred payment loan and interest thereon are payable upon the issuance of the Certificate of Practical Completion and the remaining upon the expiry of 12 months thereafter. These payments will be made by the Government of Malaysia directly to the lender bank as all contracts proceeds have been assigned to the bank to secure the deferred payment loan.

Save as disclosed above, there were no borrowings and debt securities outstanding as at the end of the reporting period.

25. Off Balance Sheet Financial Instruments

The Group did not enter into any financial instruments with off balance sheet risk during the current quarter under review.

26. Material Litigation

There was no material litigation pending since 31 December 2005 till the date of this quarterly report.

27. Dividend

The proposed final dividend of 7 sen per share less tax at 28% for the year ended 31 December 2005 has been approved by shareholders at the Annual General Meeting held on 18 May 2006 and shall be paid on 8 June 2006.

28. Earnings Per Share

	Individual Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31 March		31 March	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to ordinary shareholders of the Company (RM'000)	7,330	6,751	7,330	6,751
Weighted average number of ordinary shares ('000)	113,301	114,726	113,301	114,726
Basic earnings per share (sen)	6.47	5.88	6.47	5.88

29. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 18 May 2006.

Issue Date: 18 May 2006