



QUARTERLY REPORT – Second Quarter Ended 30 June 2006

CONDENSED CONSOLIDATED INCOME STATEMENT

For the quarter ended 30 June 2006

	CURRENT QUARTER		CUMULATIVE QUARTER	
	<i>3 months ended 30 June</i>		<i>6 months ended 30 June</i>	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Revenue	66,096	70,103	129,823	135,279
Cost of sales	(52,411)	(56,666)	(103,646)	(110,826)
Gross profit	13,685	13,437	26,177	24,453
Other income	81	70	145	775
Interest Income	324	264	718	540
Administrative expenses	(2,397)	(2,612)	(5,059)	(5,119)
Interest expense	-	-	(1)	-
Profit before taxation	11,693	11,159	21,980	20,649
Income tax expense	(3,391)	(3,130)	(6,348)	(5,869)
Profit for the period	8,302	8,029	15,632	14,780
Attributable to:				
Shareholders of the Company	8,302	8,029	15,632	14,780
Minority interest	-	-	-	-
Profit for the period	8,302	8,029	15,632	14,780
Earnings per share				
Basic Earnings per Ordinary Share (sen)	7.35	7.02	13.83	12.92
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 – Second Quarter Ended 30 June 2006

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2006

	30 June 2006 RM'000	31 December 2005 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	36,032	36,858
Land held for property development	17,734	17,636
	53,766	54,494
Current Assets		
Inventories	1,461	1,300
Property development costs	20,593	21,591
Trade and other receivables	141,102	153,691
Deposits, cash and bank balances	50,950	33,935
	214,106	210,517
TOTAL ASSETS	267,872	265,011
EQUITY		
Share capital	116,535	116,535
Capital Redemption Reserves	2,165	2,165
Retained profits	76,579	66,646
Treasury Shares	(11,223)	(9,054)
Total Equity attributable to Shareholders of the Company	184,056	176,292
Minority Interest	-	-
TOTAL EQUITY	184,056	176,292
LIABILITIES		
Non-current Liabilities		
Deferred taxation	6,912	7,263
Current Liabilities		
Trade and other payables	71,754	77,491
Taxation	5,150	3,965
	76,904	81,456
TOTAL LIABILITIES	83,816	88,719
TOTAL EQUITY AND LIABILITIES	267,872	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 – Second Quarter Ended 30 June 2006****CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

For the six months ended 30 June 2006

	6 months ended 30 June	
	2006 RM'000	2005 RM'000
Net Profit before taxation	21,980	20,649
Adjustments:-		
Depreciation	2,524	3,814
Gain on disposal of property, plant & equipment	(38)	(668)
Interest income	(718)	(506)
Operating profit before changes in working capital	23,748	23,289
Changes in working capital		
Net change in inventories	(161)	1,216
Net change in property development costs	998	(1,154)
Net change in trade & other receivables	12,606	(2,424)
Net change in trade & other payables	(5,736)	(17,530)
Cash generated from / (used in) operating activities	31,455	3,397
Income taxes paid	(5,514)	(5,162)
Overdraft interest capitalised	(1)	(2)
Net cash generated from / (used in) operating activities	25,940	(1,767)
Investing Activities		
Purchase of property, plant & equipment	(1,801)	(1,095)
Proceeds from disposal of property, plant & equipment	141	1,694
Land held for property development (net of interest expense)	(98)	(3,418)
Interest received	701	506
Net cash (used in) / generated from investing activities	(1,057)	(2,313)
Financing Activities		
Purchase of own shares	(2,169)	(2,586)
Dividend paid	(5,699)	(5,780)
Net cash used in financing activities	(7,868)	(8,366)
Net Change in Cash & Cash Equivalents	17,015	(12,446)
Cash & Cash Equivalents at 1 January 2006 / 1 January 2005	33,235	68,531
Cash & Cash Equivalents at 30 June 2006 / 30 June 2005	50,250	56,085

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 – Second Quarter Ended 30 June 2006****CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30 June 2006

	SHARE CAPITAL	CAPTIAL REDEMPTION RESERVE	RETAINED PROFITS	TREASURY SHARES	TOTAL EQUITY
	RM'000	RM'000	RM'000	RM'000	RM'000
6 months ended 30 June 2006					
Balance at 1 January 2006	116,535	2,165	66,646	(9,054)	176,292
Net profit for the period	-	-	15,632	-	15,632
Dividend – 2005 final	-	-	(5,699)	-	(5,699)
Treasury shares, at cost	-	-	-	(2,169)	(2,169)
Balance at 30 June 2006	116,535	2,165	76,579	(11,223)	184,056
6 months ended 30 June 2005					
Balance at 1 January 2005	116,535	2,165	45,138	(5,059)	158,779
Net profit for the period	-	-	14,780	-	14,780
Dividend – 2004 final	-	-	(5,780)	-	(5,780)
Treasury shares, at cost	-	-	-	(2,586)	(2,586)
Balance at 30 June 2005	116,535	2,165	54,138	(7,645)	165,193

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 – Second Quarter Ended 30 June 2006

NOTES TO THE INTERIM FINANCIAL REPORT

For the quarter ended 30 June 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 – Second Quarter Ended 30 June 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 reduced by RM0.54 million and RM1.08 million for the current quarter and the six months ended 30 June 2006 respectively.

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 442,700 of its own shares from the open market at a total cost of RM1,367,040. The average cost paid for the shares repurchased during the current quarter was RM3.09 per share. All the repurchase transactions were financed by internally generated funds.

As at 30 June 2006, a total of 3,732,300 shares purchased back were held as treasury shares at a total cost of RM11,222,814. None of the shares purchased back was resold or cancelled during the quarter under review.

8. Dividend Paid

The final dividend of 7 sen per share less tax at 28% totaling RM5,699,363 for the year ended 31 December 2005 was paid on 8 June 2006.



QUARTERLY REPORT – Second Quarter Ended 30 June 2006

9. Segmental Reporting

Business segments	6 months ended 30 June					
	Construction		Property development		Consolidated	
	2006	2005	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	113,390	125,912	16,433	9,367	129,823	135,279
Segment result	<u>16,915</u>	<u>17,297</u>	<u>4,347</u>	<u>2,812</u>	<u>21,262</u>	<u>20,109</u>
Interest income					718	540
Profit before tax					21,980	20,649
Tax expense					(6,348)	(5,869)
Profit after tax					<u>15,632</u>	<u>14,780</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 30 June 2006 is as follows:-

	6 months ended 30 June	
	2006	2005
	RM'000	RM'000
Approved and contracted for	<u>44,820</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 six months ended 30 June 2006 were as follows:-

	6 months ended 30 June	
	2006	2005
	RM'000	RM'000
Aggregate gross value of significant recurrent related party transactions	<u>12,791</u>	<u>24,185</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 – Second Quarter Ended 30 June 2006

ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS

For the quarter ended 30 June 2006

16. Review of Performance

The Group's revenue for the quarter under review is RM66.10 million against the preceding year corresponding quarter's figure of RM70.10 million. Net profit before tax of the Group for the current quarter is RM11.69 million as compared to RM11.16 million for the preceding year's corresponding quarter, representing an increase of 5%.

17. Variation of Results against Immediate Preceding Quarter

The net profit before tax of the Group for the current quarter is RM11.69 million as compared to RM10.29 million for the immediate preceding quarter at the back of Group's revenue of RM66.10 and RM63.73 million respectively.

18. Current Year Prospects

HSL is currently bidding for several major new projects under the 9MP. It is taking a keen interest in roads, bridges, port and other water-related projects, among other infrastructure and construction works. There is strong demand for the Group's skills in marine engineering. Overall, the Group is looking forward to the new contracts generated by the 9MP which are now starting to flow down. HSL feels well qualified to be highly competitive given its combination of technical, human, machinery and financial resources.

The property sector continues to show a steady performance and new project phases in the affordable housing category will be launched during the second half of the year.

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		6 months ended	
	30 June		30 June	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Current Tax Expense - Malaysian				
Current Period	3,500	3,246	6,635	6,779
Under/(Over) provision in prior year	64	(32)	64	(32)
	3,564	3,214	6,699	6,747
Deferred Tax Expense - Malaysian				
Current Period	(173)	(84)	(351)	(878)
Total Taxation	3,391	3,130	6,348	5,869

Reconciliation of tax charge

Profit before taxation	11,693	11,159	21,980	20,649
Income tax using Malaysian tax rates	3,264	3,116	6,134	5,762
Non-deductible expenses	63	46	150	139
	3,327	3,162	6,284	5,901
Under provision in prior year	64	(32)	64	(32)
Tax expense	3,391	3,130	6,348	5,869



QUARTERLY REPORT – Second Quarter Ended 30 June 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 30 June 2006, a total of RM162,395,648 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 Board has declared a first interim ordinary dividend of 7 sen per share less tax at 28% payable to shareholders on 6 October 2006. The dividend entitlement date shall be 15 September 2006.

The final dividend of 7 sen per share less tax at 28% totaling RM5,699,363 for the year ended 31 December 2005 has been paid on 8 June 2006.

28. Earnings Per Share

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June		6 months ended 30 June	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to ordinary shareholders of the Company (RM'000)	8,302	8,029	15,632	14,780
Weighted average number of ordinary shares ('000)	112,985	114,339	113,041	114,392
Basic earnings per share (sen)	7.35	7.02	13.83	12.92

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 17 August 2006.

Issue Date: 17 August 2006