



**QUARTERLY REPORT – Third Quarter Ended 30 September 2006**

**CONDENSED CONSOLIDATED INCOME STATEMENT**

For the quarter ended 30 September 2006

	CURRENT QUARTER		CUMULATIVE QUARTER	
	<i>3 months ended 30 September</i>		<i>9 months ended 30 September</i>	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Revenue</b>	<b>65,711</b>	<b>77,668</b>	<b>195,534</b>	<b>212,947</b>
Cost of sales	(51,026)	(63,722)	(154,672)	(174,548)
<b>Gross profit</b>	<b>14,685</b>	<b>13,946</b>	<b>40,862</b>	<b>38,399</b>
Other income	131	204	276	979
Interest Income	258	217	976	757
Administrative expenses	(2,263)	(2,515)	(7,322)	(7,634)
Interest expense	(1)	(1)	(2)	(1)
<b>Profit before taxation</b>	<b>12,810</b>	<b>11,851</b>	<b>34,790</b>	<b>32,500</b>
Income tax expense	(4,803)	(3,287)	(11,151)	(9,156)
<b>Profit for the period</b>	<b>8,007</b>	<b>8,564</b>	<b>23,639</b>	<b>23,344</b>
<b>Attributable to:</b>				
Shareholders of the Company	8,007	8,564	23,639	23,344
Minority interest	-	-	-	-
<b>Profit for the period</b>	<b>8,007</b>	<b>8,564</b>	<b>23,639</b>	<b>23,344</b>
<b>Earnings per share</b>				
Basic Earnings per Ordinary Share (sen)	7.10	7.52	20.92	20.42
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 – Third Quarter Ended 30 September 2006****CONDENSED CONSOLIDATED BALANCE SHEET**

At 30 September 2006

	<b>30 September 2006 RM'000</b>	<b>31 December 2005 RM'000</b>
<b>ASSETS</b>		
<b>Non-current Assets</b>		
Property, plant and equipment	34,897	36,858
Land held for property development	62,233	17,636
	97,130	54,494
<b>Current Assets</b>		
Inventories	2,249	1,300
Property development costs	21,211	21,591
Trade and other receivables	147,103	153,691
Deposits, cash and bank balances	41,153	33,935
	211,716	210,517
<b>TOTAL ASSETS</b>	<b>308,846</b>	<b>265,011</b>
<b>EQUITY</b>		
Share capital	116,535	116,535
Capital Redemption Reserves	2,165	2,165
Retained profits	84,586	66,646
Treasury Shares	(11,543)	(9,054)
<b>Total Equity attributable to Shareholders of the Company</b>	<b>191,743</b>	<b>176,292</b>
<b>Minority Interest</b>	-	-
<b>TOTAL EQUITY</b>	<b>191,743</b>	<b>176,292</b>
<b>LIABILITIES</b>		
<b>Non-current Liabilities</b>		
Deferred taxation	6,762	7,263
<b>Current Liabilities</b>		
Trade and other payables	105,955	77,491
Taxation	4,386	3,965
	110,341	81,456
<b>TOTAL LIABILITIES</b>	<b>117,103</b>	<b>88,719</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>308,846</b>	<b>265,011</b>

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 – Third Quarter Ended 30 September 2006**

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

For the nine months ended 30 September 2006

	9 months ended 30 September	
	2006 RM'000	2005 RM'000
<b>Net Profit before taxation</b>	<b>34,790</b>	<b>32,500</b>
<b>Adjustments:-</b>		
Depreciation	3,709	5,669
Gain on disposal of property, plant & equipment	(36)	(795)
Interest income	(955)	(726)
<b>Operating profit before changes in working capital</b>	<b>37,508</b>	<b>36,648</b>
<b>Changes in working capital</b>		
Net change in inventories	(949)	1,579
Net change in property development costs	382	(5,765)
Net change in trade & other receivables	(841)	(22,245)
Net change in trade & other payables	(5,879)	(8,074)
<b>Cash generated from operating activities</b>	<b>30,221</b>	<b>2,143</b>
Income taxes paid	(11,231)	(10,347)
Overdraft interest capitalised	(2)	(1)
<b>Net cash generated from / (used in) operating activities</b>	<b>18,988</b>	<b>(8,205)</b>
<b>Investing Activities</b>		
Purchase of property, plant & equipment	(1,853)	(1,737)
Proceeds from disposal of property, plant & equipment	141	1,885
Land held for property development (net of interest expense)	(2,897)	(2,327)
Interest received	1,027	726
<b>Net cash used in investing activities</b>	<b>(3,582)</b>	<b>(1,453)</b>
<b>Financing Activities</b>		
Purchase of own shares	(2,489)	(5,780)
Dividend paid	(5,699)	(3,646)
<b>Net cash used in financing activities</b>	<b>(8,188)</b>	<b>(9,426)</b>
<b>Net Change in Cash &amp; Cash Equivalents</b>	<b>7,218</b>	<b>(19,084)</b>
<b>Cash &amp; Cash Equivalents at 1 January 2006 / 1 January 2005</b>	<b>33,235</b>	<b>68,531</b>
<b>Cash &amp; Cash Equivalents at 30 September 2006 / 30 September 2005</b>	<b>40,453</b>	<b>49,447</b>

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 – Third Quarter Ended 30 September 2006**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the nine months ended 30 September 2006

	<b>SHARE CAPITAL</b>	<b>CAPTIAL REDEMPTION RESERVE</b>	<b>RETAINED PROFITS</b>	<b>TREASURY SHARES</b>	<b>TOTAL EQUITY</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>9 months ended 30 September 2006</b>					
Balance at 1 January 2006	116,535	2,165	66,646	(9,054)	176,292
Net profit for the period	-	-	23,639	-	23,639
Dividend – 2005 final	-	-	(5,699)	-	(5,699)
Treasury shares, at cost	-	-	-	(2,489)	(2,489)
<b>Balance at 30 September 2006</b>	<b>116,535</b>	<b>2,165</b>	<b>84,586</b>	<b>(11,543)</b>	<b>191,743</b>
<b>9 months ended 30 September 2005</b>					
Balance at 1 January 2005	116,535	2,165	45,138	(5,059)	158,779
Net profit for the period	-	-	23,344	-	23,344
Dividend – 2004 final	-	-	(5,780)	-	(5,780)
Treasury shares, at cost	-	-	-	(3,646)	(3,646)
<b>Balance at 30 September 2005</b>	<b>116,535</b>	<b>2,165</b>	<b>62,702</b>	<b>(8,705)</b>	<b>172,697</b>

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.



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QUARTERLY REPORT – Third Quarter Ended 30 September 2006

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**NOTES TO THE INTERIM FINANCIAL REPORT**

For the quarter ended 30 September 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) 134<sup>2004</sup>: 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.



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**QUARTERLY REPORT – Third Quarter Ended 30 September 2006**

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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 Cyclical 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 RM0.53 million and RM1.61 million for the current quarter and the nine months ended 30 September 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 110,000 of its own shares from the open market at a total cost of RM320,465. The average cost paid for the shares repurchased during the current quarter was RM2.91 per share. All the repurchase transactions were financed by internally generated funds.

As at 30 September 2006, a total of 3,842,300 shares purchased back were held as treasury shares at a total cost of RM11,543,279. None of the shares purchased back was resold or cancelled during the quarter under review.

**8. Dividend Paid**

There was no dividend paid during the three months period ended 30 September 2006.



**QUARTERLY REPORT – Third Quarter Ended 30 September 2006**

**9. Segmental Reporting**

Business segments	9 months ended 30 September					
	Construction		Property development		Consolidated	
	2006	2005	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	169,120	199,227	26,414	13,720	195,534	212,947
Segment result	<u>26,977</u>	<u>28,147</u>	<u>6,837</u>	<u>3,596</u>	<u>33,814</u>	<u>31,743</u>
Interest income					976	757
Profit before tax					34,790	32,500
Tax expense					(11,151)	(9,156)
Profit after tax					<u>23,639</u>	<u>23,344</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 September 2006 is as follows:-

	9 months ended 30 September	
	2006	2005
	RM'000	RM'000
Approved and contracted for	<u>3,120</u>	<u>3,120</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 nine months ended 30 September 2006 were as follows:-

	9 months ended 30 September	
	2006	2005
	RM'000	RM'000
Aggregate gross value of significant recurrent related party transactions	<u>23,806</u>	<u>41,840</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 – Third Quarter Ended 30 September 2006**

**ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS**

For the quarter ended 30 September 2006

**16. Review of Performance**

The Group's revenue for the quarter under review is RM65.71 million against the preceding year corresponding quarter's figure of RM77.7 million. Net profit before tax of the Group for the current quarter is RM12.81 million as compared to RM11.85 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 RM12.81 million as compared to RM11.69 million for the immediate preceding quarter at the back of Group's revenue of RM65.71 and RM66.10 million respectively.

**18. Current Year Prospects**

The 9MP continues to offer new opportunities for HSL with interest in marine-related and other infrastructure works. Overall, the boost to the construction industry that has been generated by the plan will add to the positive outlook for the company. HSL is ideally poised at present to be highly competitive given its combination of technical, human, machinery and financial resources. With the current sound progress of projects in hand and the likelihood of new one in the pipeline, the Group is on track to better its 2005 results at the year-end.

The property sector continues to increase its contribution to Group revenue and sales have remained steady in the affordable housing sector.

**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 30 September		9 months ended 30 September	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Current Tax Expense - Malaysian				
Current Period	3,753	3,582	10,388	10,361
Under/(Over) provision in prior years	1,200	-	1,264	(32)
	4,953	3,582	11,652	10,329
Deferred Tax Expense - Malaysian				
Current Period	(150)	(295)	(501)	(1,173)
<b>Total Taxation</b>	<b>4,803</b>	<b>3,287</b>	<b>11,151</b>	<b>9,156</b>

**Reconciliation of tax charge**

Profit before taxation	12,810	11,851	34,790	32,500
Income tax using Malaysian tax rates	3,577	3,308	9,711	9,070
Non-deductible expenses	26	(21)	176	118
	3,603	3,287	9,887	9,188
Under provision in prior years	1,200	-	1,264	(32)
<b>Tax expense</b>	<b>4,803</b>	<b>3,287</b>	<b>11,151</b>	<b>9,156</b>





**QUARTERLY REPORT – Third Quarter Ended 30 September 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 September 2006, a total of RM178 million 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 first interim ordinary dividend of 7 sen per share less tax at 28% (less 3,751,000 treasury shares as at dividend entitlement date) totaling RM5,684,309 for the year ending 31 December 2006 was paid on 6 October 2006.

**28. Earnings Per Share**

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 September		9 months ended 30 September	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to ordinary shareholders of the Company (RM'000)	8,007	8,564	23,639	23,344
Weighted average number of ordinary shares ('000)	112,775	113,922	113,013	114,295
Basic earnings per share (sen)	7.10	7.52	20.92	20.42

**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 16 November 2006.

Issue Date: 16 November 2006