

**QUARTERLY REPORT – Fourth Quarter Ended 31 December 2006****CONDENSED CONSOLIDATED INCOME STATEMENT**

For the quarter ended 31 December 2006

	CURRENT QUARTER		CUMULATIVE QUARTER	
	<i>3 months ended 31 December</i>		<i>12 months ended 31 December</i>	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Revenue	65,021	77,400	260,555	290,347
Cost of sales	(47,778)	(61,477)	(202,450)	(236,025)
Gross profit	17,243	15,923	58,105	54,322
Other income	47	665	323	1,644
Interest Income	226	147	1,202	904
Administrative expenses	(4,132)	(4,444)	(11,455)	(12,078)
Interest expense	(1)	(3)	(2)	(4)
Profit before taxation	13,383	12,288	48,173	44,788
Income tax expense	(3,541)	(3,435)	(14,692)	(12,591)
Profit for the period/year	9,842	8,853	33,481	32,197
Attributable to:				
Shareholders of the Company	9,842	8,853	33,481	32,197
Minority interest	-	-	-	-
Profit for the period/year	9,842	8,853	33,481	32,197
Earnings per share				
Basic Earnings per Ordinary Share (sen)	8.74	7.79	29.63	28.17
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 – Fourth Quarter Ended 31 December 2006

CONDENSED CONSOLIDATED BALANCE SHEET

At 31 December 2006

	31 December 2006 RM'000	31 December 2005 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	34,132	36,858
Land held for property development	62,924	17,636
	97,056	54,494
Current Assets		
Inventories	4,028	1,300
Property development costs	22,413	21,591
Trade and other receivables	121,756	153,691
Deposits, cash and bank balances	49,800	33,935
	197,997	210,517
TOTAL ASSETS	295,053	265,011
EQUITY		
Share capital	116,535	116,535
Capital Redemption Reserves	2,165	2,165
Retained profits	88,743	66,646
Treasury Shares	(14,276)	(9,054)
Total Equity attributable to Shareholders of the Company	193,167	176,292
Minority Interest	-	-
TOTAL EQUITY	193,167	176,292
LIABILITIES		
Non-current Liabilities		
Deferred taxation	6,427	7,263
Current Liabilities		
Trade and other payables	90,991	77,491
Taxation	4,468	3,965
	95,459	81,456
TOTAL LIABILITIES	101,886	88,719
TOTAL EQUITY AND LIABILITIES	295,053	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 – Fourth Quarter Ended 31 December 2006****CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

For the year ended 31 December 2006

	Year ended 31 December	
	2006 RM'000	2005 RM'000
Net Profit before taxation	48,173	44,788
Adjustments:-		
Depreciation	4,823	7,501
Gain on disposal of property, plant & equipment	44	(1,290)
Interest income	(1,166)	(904)
Operating profit before changes in working capital	51,874	50,095
Changes in working capital		
Net change in inventories	(2,501)	1,630
Net change in property development costs	(1,047)	(5,754)
Net change in trade & other receivables	13,407	(30,546)
Net change in trade & other payables	(9,661)	(19,490)
Cash generated from/(used in) operating activities	52,072	(4,065)
Income taxes paid	(15,024)	(13,826)
Overdraft interest capitalised	(2)	(6)
Net cash generated from/(used in) operating activities	37,046	(17,897)
Investing Activities		
Purchase of property, plant & equipment	(2,291)	(2,102)
Proceeds from disposal of property, plant & equipment	150	2,504
Land held for property development (net of interest expense)	(3,588)	(3,545)
Interest received	1,155	878
Fixed deposit released / (pledged)	250	(450)
Net cash used in investing activities	(4,324)	(2,715)
Financing Activities		
Purchase of own shares	(5,222)	(3,995)
Dividend paid	(11,384)	(10,689)
Net cash used in financing activities	(16,606)	(14,684)
Net Change in Cash & Cash Equivalents	16,116	(35,296)
Cash & Cash Equivalents at 1 January 2006 / 1 January 2005	33,235	68,531
Cash & Cash Equivalents at 31 December 2006 / 31 December 2005	49,351	33,235

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 – Fourth Quarter Ended 31 December 2006****CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2006

	SHARE CAPITAL	CAPTIAL REDEMPTION RESERVE	RETAINED PROFITS	TREASURY SHARES	TOTAL EQUITY
	RM'000	RM'000	RM'000	RM'000	RM'000
Year ended 31 December 2006					
Balance at 1 January 2006	116,535	2,165	66,646	(9,054)	176,292
Net profit for the year	-	-	33,481	-	33,481
Dividend – 2005 final	-	-	(5,699)	-	(5,699)
Dividend – 2006 interim	-	-	(5,685)	-	(5,685)
Treasury shares, at cost	-	-	-	(5,222)	(5,222)
Balance at 31 December 2006	116,535	2,165	88,743	(14,276)	193,167
Year ended 31 December 2005					
Balance at 1 January 2005	116,535	2,165	45,138	(5,059)	158,779
Net profit for the year	-	-	32,197	-	32,197
Dividend – 2004 final	-	-	(5,780)	-	(5,780)
Dividend – 2005 interim	-	-	(4,909)	-	(4,909)
Treasury shares, at cost	-	-	-	(3,995)	(3,995)
Balance at 31 December 2005	116,535	2,165	66,646	(9,054)	176,292

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 – Fourth Quarter Ended 31 December 2006

NOTES TO THE INTERIM FINANCIAL REPORT

For the quarter ended 31 December 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).

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.

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.

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 adoption of these FRSs has no material impact to the Group and the Company. The principal effects on the financial statements following the adoption of these FRSs were as follows:-

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.

FRS 116: Property, Plant and Equipment

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



QUARTERLY REPORT – Fourth Quarter Ended 31 December 2006

2006 and revised the residue values of certain vessels, plant and machinery. The revisions have been accounted for as a change in accounting estimate and the effect is set out in Note 5.

The MASB has issued five new and revised FRSs or interpretation, which are effective for annual periods beginning after 1 January 2006 and have not been applied in preparing this interim financial report:

- (i) **FRS 117 : Leases** – This FRS is effective for annual periods beginning on or after 1 October 2006. The adoption of FRS 117 would not have any impact on the financial statements in the period of initial application other than the reclassification of leasehold land from property, plant and equipment to prepaid lease payments.
- (ii) **FRS 124 : Related Party Disclosures** - This FRS is effective for annual periods beginning on or after 1 October 2006. The adoption of FRS 124 would not have any impact on the financial statements in the period of initial application other than additional disclosures required by the Standard.
- (iii) **FRS119₂₀₀₄ Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures** – Certain amendments made to FRS119₂₀₀₄ are effective for annual periods beginning on or after 1 January 2007. The adoption of these amendments would not have any significant impact on the financial statements in the period of initial application.
- (iv) **FRS 6 Exploration for and Evaluation of Mineral Resources** – This FRS is effective for annual periods beginning on or after 1 January 2007. This standard is not applicable to the Group.
- (v) **FRS 139 : Financial Instruments : Recognition and Measurement** – This FRS has been issued by the MASB but the MASB has yet to announce the effective date. By virtue of the exemption in paragraph 103AB of FRS 139, the impact of applying FRS 139 on the financial statements upon its first adoption of this standard is not disclosed.

The Group plans to apply FRS117, FRS124 and the Amendment to FRS119₂₀₀₄ from the annual period beginning 1 January 2007.

2. 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.

3. 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.

4. 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 1 and Note 5.

5. Changes in estimates

The Group revised the residue values of certain plant and machinery on 1 January 2006. The revisions were accounted for as a change in accounting estimates and as a result, the depreciation charges have been reduced by RM511,589 for the current quarter and RM2,128,232 for the year ended 31 December 2006 respectively. There were no other changes in estimates that have had a material effect in the current quarter results.



QUARTERLY REPORT – Fourth Quarter Ended 31 December 2006

6. 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 946,400 of its own shares from the open market at a total cost of RM2,732,780. The average cost paid for the shares repurchased during the current quarter was RM2.89 per share. All the repurchase transactions were financed by internally generated funds. As at 31 December 2006, a total of 4,788,700 shares purchased back were held as treasury shares at a total cost of RM14,276,059. None of the shares purchased back was resold or cancelled during the quarter under review.

7. Dividend Paid

The first interim ordinary dividend of seven (7) sen per share less tax at 28% (less 3,741,300 treasury shares as at dividend entitlement date) totalling RM5,684,813 for the year ending 31 December 2006 was paid on 6 October 2006.

8. Segmental Reporting

Business segments	12 months ended 31 December					
	Construction		Property development		Consolidated	
	2006	2005	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	226,418	269,725	34,137	20,622	260,555	290,347
Segment result	<u>38,098</u>	<u>38,504</u>	<u>8,873</u>	<u>5,380</u>	46,971	43,884
Interest income					1,202	904
Profit before tax					48,173	44,788
Tax expense					(14,692)	(12,591)
Profit after tax					<u>33,481</u>	<u>32,197</u>

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

9. 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.

10. Subsequent Material Events

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

11. Changes in the Composition of the Group

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

12. 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.

13. 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 December 2006 is as follows:-

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



QUARTERLY REPORT – Fourth Quarter Ended 31 December 2006

14. 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 twelve months ended 31 December 2006 were as follows:-

	<u>12 months ended 31 December</u>	
	2006	2005
	RM'000	RM'000
Aggregate gross value of significant recurrent related party transactions	<u>33,370</u>	<u>50,854</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.

ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS

For the quarter ended 31 December 2006

15. Review of Performance

The Group's revenue for the quarter under review is RM65.02 million against the preceding year corresponding quarter's figure of RM77.40 million. Net profit before tax of the Group for the current quarter is RM13.38 million as compared to RM12.29 million for the preceding year's corresponding quarter, representing an increase of 9%.

16. Variation of Results against Immediate Preceding Quarter

The net profit before tax of the Group for the current quarter is RM13.38 million as compared to RM12.81 million for the immediate preceding quarter at the back of Group's revenue of RM65.02 and RM65.71 million respectively.

17. Current Year Prospects

The commendable results are a testimony to HSL's capabilities in delivering some larger and technically demanding engineering projects. The 9MP continues to offer new opportunities for HSL with particular 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 positioned to be highly competitive given its combination of technical, human, machinery and financial resources, while the property sector has plans for new launches which will enhance Group earnings. Thus, the Group is poised for a strong performance in 2007.

18. 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.



QUARTERLY REPORT – Fourth Quarter Ended 31 December 2006

19. Tax Expense

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December		12 months ended 31 December	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Current Tax Expense - Malaysian				
Current Period/Year	3,876	3,743	14,263	14,104
Under/(Over) provision in prior years	-	-	1,265	(32)
	3,876	3,743	15,528	14,072
Deferred Tax Expense - Malaysian				
Current Period/Year	(92)	(308)	(593)	(1,481)
Adjustment due to rate change	(243)	-	(243)	-
Total Taxation	3,541	3,435	12,692	12,591

Reconciliation of tax charge

Profit before taxation	13,383	12,288	48,173	44,788
Income tax using Malaysian tax rates	3,747	3,431	13,458	12,501
Non-deductible expenses	37	4	212	122
Adjustment due to rate change on deferred tax	(243)	-	(243)	-
	3,540	3,435	13,427	12,623
Under provision in prior years	-	-	1,265	(32)
Tax expense	3,541	3,435	14,692	12,591

20. Unquoted Investments and/or Properties

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

21. 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.

22. Status of Corporate Proposals

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

23. 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 December 2006, the amount of receipt from the bank less repayment by the Government for the project is RM174,971,763.00. The repayment of this balance 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.

24. 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.



QUARTERLY REPORT – Fourth Quarter Ended 31 December 2006

25. Material Litigation

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

26. Dividend

The directors have recommended a final ordinary dividend of seven (7) sen per share less tax for the financial year ended 31 December 2006 for shareholders' approval at the forthcoming Annual general Meeting. The entitlement and payment date shall be announced in the near future..

27. Earnings Per Share

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December		12 months ended 31 December	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to ordinary shareholders of the Company (RM'000)	9,842	8,853	33,481	32,197
Weighted average number of ordinary shares ('000)	112,665	113,636	112,986	114,290
Basic earnings per share (sen)	8.74	7.79	29.63	28.17

28. 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 26 February 2007.

Issue Date: 26 February 2007