

**QUARTERLY REPORT – Third Quarter Ended 30 September 2007****CONDENSED CONSOLIDATED INCOME STATEMENT**

For the quarter ended 30 September 2007

	CURRENT QUARTER		CUMULATIVE QUARTER	
	<i>3 months ended 30 September</i>		<i>9 months ended 30 September</i>	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Revenue	62,403	65,711	184,822	195,534
Cost of sales	(46,084)	(51,026)	(139,836)	(154,672)
Gross profit	16,319	14,685	44,986	40,862
Other income	74	131	212	276
Interest Income	348	258	964	976
Administrative expenses	(2,753)	(2,263)	(7,672)	(7,322)
Interest expense	(2)	(1)	(2)	(2)
Profit before taxation	13,986	12,810	38,488	34,790
Tax expense	(3,758)	(4,803)	(10,310)	(11,151)
Profit for the period	10,228	8,007	28,178	23,639
Attributable to:				
Shareholders of the Company	10,228	8,007	28,178	23,639
Minority interest	-	-	-	-
Profit for the period	10,228	8,007	28,178	23,639
Earnings per share				
Basic Earnings per Ordinary Share (sen)	9.19	7.10	25.30	20.92
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 2006



QUARTERLY REPORT – Third Quarter Ended 30 September 2007

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2007

	30 September 2007 RM'000	31 December 2006 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	33,970	33,035
Prepaid lease payments	1,196	1,097
Land held for property development	65,317	62,924
	100,483	97,056
Current Assets		
Inventories	3,835	4,028
Property development costs	20,406	22,413
Trade and other receivables	134,775	121,756
Deposits, cash and bank balances	48,430	49,800
	207,446	197,997
TOTAL ASSETS	307,929	295,053
EQUITY		
Share capital	116,535	116,535
Capital Redemption Reserves	2,165	2,165
Retained profits	111,226	88,743
Treasury Shares	(17,107)	(14,276)
Total Equity attributable to Shareholders of the Company	212,819	193,167
Minority Interest	-	-
TOTAL EQUITY	212,819	193,167
LIABILITIES		
Non-current Liabilities		
Deferred taxation	6,012	6,427
Current Liabilities		
Trade and other payables	85,304	90,991
Taxation	3,794	4,468
	89,098	95,459
TOTAL LIABILITIES	95,110	101,886
TOTAL EQUITY AND LIABILITIES	307,929	295,053
Net Assets Per Share Attributable to Ordinary Equity Shareholders (RM)	1.92	1.73

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 2006



QUARTERLY REPORT – Third Quarter Ended 30 September 2007

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the period ended 30 September 2007

	Period ended 30 September	
	2007 RM'000	2006 RM'000
Net Profit before taxation	38,488	34,790
Adjustments:-		
Depreciation	2,963	3,690
Amortisation	19	19
Loss/(Gain) on disposal of property, plant & equipment	(5)	(36)
Interest income	(964)	(955)
Operating profit before changes in working capital	40,501	37,508
Changes in working capital		
Net change in inventories	1,382	(949)
Net change in property development costs	754	382
Net change in trade & other receivables	(11,091)	(841)
Net change in trade & other payables	(7,644)	(5,879)
Cash (used in)/generated from operating activities	23,902	30,221
Income taxes paid	(11,400)	(11,231)
Overdraft interest capitalised	(2)	(2)
Net cash (used in)/generated from operating activities	12,500	18,988
Investing Activities		
Purchase of property, plant & equipment	(3,919)	(1,853)
Proceeds from disposal of property, plant & equipment	26	141
Land held for property development	(2,192)	(2,897)
Interest received	741	1,027
Net cash generated from/(used in) investing activities	(5,344)	(3,582)
Financing Activities		
Purchase of own shares	(2,831)	(2,489)
Dividend paid	(5,695)	(5,699)
Net cash used in financing activities	(8,526)	(8,188)
Net Change in Cash & Cash Equivalents	(1,370)	7,218
Cash & Cash Equivalents at 1 January 2007 / 1 January 2006	49,351	33,235
Cash & Cash Equivalents at 30 September 2007 / 30 September 2006	47,981	40,453

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 2006



QUARTERLY REPORT – Third Quarter Ended 30 September 2007

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2007

	SHARE CAPITAL RM'000	CAPTIAL REDEMPTION RESERVE RM'000	RETAINED PROFITS RM'000	TREASURY SHARES RM'000	TOTAL EQUITY RM'000
Period ended 30 September 2007					
Balance at 1 January 2007	116,535	2,165	88,743	(14,276)	193,167
Net profit for the period	-	-	28,178	-	28,178
Dividend – 2006 final	-	-	(5,695)	-	(5,695)
Treasury shares, at cost	-	-	-	(2,831)	(2,831)
Balance at 30 September 2007	116,535	2,165	111,226	(17,107)	212,819
Period ended 30 September 2006					
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)
Balance at 30 September 2006	116,535	2,165	84,586	(11,543)	191,743

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 2006



QUARTERLY REPORT – Third Quarter Ended 30 September 2007

NOTES TO THE INTERIM FINANCIAL REPORT

For the quarter ended 30 September 2007

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 has been prepared in accordance with the same accounting policies adopted in the 2006 financial statements, except for the changes arising from the adoption of the following new/revised FRSs:-

- FRS 117, Leases
- FRS 124, Related Party Disclosures
- Amendment to FRS 119²⁰⁰⁴, Employee Benefits : Actuarial Gains and Losses, Group Plans and Disclosure

The adoption of these FRSs has no material impact to the Group. The principal effects on the financial statements following the adoption of these FRSs are set out in Note 2.

This interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2006. 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 2006. 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.

2. Changes in Accounting Policies

FRS 117 Leases

The Group had previously classified a lease of land as finance lease and had recognised the amount of prepaid lease payments as property within its property, plant and equipment. It was stated at cost less accumulated depreciation and impairment losses. On the adoption of FRS 117, Leases, the Group treats such a lease as an operating lease with the unamortised carrying amount classified as prepaid lease payments. Such prepaid lease payments are amortised evenly over the unexpired lease terms. The classification of leasehold land as prepaid lease payment has been accounted retrospectively and the comparative figures were restated:-

	As previously reported	Reclassification	As Restated
Balance sheet as at 31 December 2006	RM'000	RM'000	RM'000
Property, plant and equipment	34,132	(1,097)	33,035
Prepaid lease payments	0	1,097	1,097

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 2006 in their report dated 26 February 2007.



QUARTERLY REPORT – Third Quarter Ended 30 September 2007

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.

6. Changes in estimates

There were no changes in estimates reported in prior financial years that have a material effect in the current interim period.

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 280,600 of its own shares from the open market at the average cost of RM4.88 per share, totaling RM1,368,281. All the repurchase transactions were financed by internally generated funds. As at 30 September 2007, a total of 5,507,800 shares purchased back were held as treasury shares with total cost of RM17,107,004. 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 2007.

9. Segmental Reporting

Business segments	9 months ended 30 September					
	Construction		Property development		Consolidated	
	2007	2006	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	148,106	169,120	36,716	26,414	184,822	195,534
Segment result	27,135	26,977	10,389	6,837	37,524	33,814
Interest income					964	976
Profit before tax					38,488	34,790
Tax expense					(10,310)	(11,151)
Profit after tax					28,178	23,639

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.



QUARTERLY REPORT – Third Quarter Ended 30 September 2007

13. Contingent Liabilities

There were no contingent liabilities in respect of the Group that have arisen since 31 December 2006 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 2007 is as follows:-

	<u>9 months ended 30 September</u>	
	2007	2006
	RM'000	RM'000
Approved and contracted for		
Acquisition of land	<u>3,120</u>	<u>3,120</u>

15. Related Party Transactions

The aggregate gross value of significant recurrent related party transactions for the nine months ended 30 September 2007 were as follows:-

	<u>9 months ended 30 September</u>	
	2007	2006
	RM'000	RM'000
Aggregate gross value of significant recurrent related party transactions	<u>18,133</u>	<u>23,806</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.

The Shareholders' mandate for the Group to enter into related party transaction was renewed at the Annual General Meeting held on 17 May 2007.

16. Key Management Personnel Compensation

	<u>9 months ended 30 September</u>	
	2007	2006
	RM'000	RM'000
Directors' compensation	1,912	1,857
Other key management personnel compensation	<u>1,663</u>	<u>1,748</u>

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QUARTERLY REPORT – Third Quarter Ended 30 September 2007

ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS

For the quarter ended 30 September 2007

17. Review of Performance

The Group's revenue for the quarter under review is RM62.40 million against the preceding year corresponding quarter's figure of RM65.71 million. Net profit before tax of the Group for the current quarter is RM13.99 million as compared to RM12.81 million for the preceding year's corresponding quarter, representing an increase of 9%.

18. Variation of Results against Immediate Preceding Quarter

The net profit before tax of the Group for the current quarter is RM13.99 million as compared to RM13.47 million for the immediate preceding quarter on the back of the Group's revenue of RM62.40 million and RM62.78 million respectively.

19. Current Year Prospects

Third quarter results position the Group to surpass last years annual results at year-end. The value of projects in hand for the Group is currently about RM1 billion with RM800 million outstanding. Margins have strengthened further, reflecting the procurement of high value projects drawing on our core strengths of marine engineering, in particular mass land reclamation.

The property sector is growing steadily with the latest phases of its *Samariang Aman* residential development in Kuching enjoying a strong take up rate. HSL has also ventured into property development beyond Kuching, launching its inaugural residential project in Sibü.

20. 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.

21. Tax Expense

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 September		9 months ended 30 September	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Current Tax Expense - Malaysian				
Current Period	3,863	3,753	10,758	10,388
(Over)/under provision in prior year	-	1,200	(32)	1,264
	3,863	4,953	10,726	11,652
Deferred Tax Expense - Malaysian				
Current Period	(43)	(150)	(245)	(501)
Effect of changes in tax rate	(62)	-	(171)	-
Total Taxation	3,758	4,803	10,310	11,151

Reconciliation of effective tax expense

Profit before taxation	13,986	12,810	38,488	34,790
Income tax using Malaysian tax rates	3,775	3,587	10,391	9,741
Effect of lower tax rate for a subsidiary	(8)	(10)	(26)	(30)
Non-deductible expenses	53	26	148	176
Effect of changes in tax rate	(62)	-	(171)	-
	3,758	3,603	10,342	9,887
(Over)/under provision in prior year	-	1,200	(32)	1,264
Tax expense	3,758	4,803	10,310	11,151



QUARTERLY REPORT – Third Quarter Ended 30 September 2007

22. Unquoted Investments and/or Properties

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

23. 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.

24. Status of Corporate Proposals

On 15 November 2007, the Company has announced the Proposed Subdivision of every One (1) existing ordinary shares of RM1.00 each in Hock Seng Lee Berhad (“HSL”) into Five (5) new ordinary shares of RM0.20 each in HSL (“Proposed Subdivision”) and the Proposed Amendments to the Memorandum and Articles of Association of the Company (“Proposed Amendments”).

The Proposed Subdivision are subject to the approval of Bursa Malaysia and the shareholders at a general meeting while the Proposed Amendments only requires approval from the shareholders. The Proposed Subdivision is conditional upon the approval of the Proposed Amendments by the shareholders of HSL and vice versa.

25. 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 2007, the amount of receipt from the bank less repayment by the Government for the project is RM24,373,818. 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.

26. 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.

27. Material Litigation

There was no material litigation pending since 31 December 2006 till the date of this quarterly report.

28. Dividend

The first interim ordinary dividend of 8 sen per share less tax at 27% totalling RM6,487,738 for the year ended 31 December 2007 has been paid on 8 October 2007.

29. Earnings Per Share

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 September		9 months ended 30 September	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to ordinary shareholders of the Company (RM'000)	10,228	8,007	28,178	23,639
Weighted average number of ordinary shares ('000)	111,238	112,775	111,362	113,013
Basic earnings per share (sen)	9.19	7.10	25.30	20.92

30. 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 15 November 2007.

Issue Date: 15 November 2007