

**QUARTERLY REPORT – Second Quarter Ended 30 June 2008****CONDENSED CONSOLIDATED INCOME STATEMENT**

For the quarter ended 30 June 2008

	CURRENT QUARTER		CUMULATIVE QUARTER	
	<i>3 months ended 30 June</i>		<i>6 months ended 30 June</i>	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Revenue</b>	<b>77,141</b>	<b>62,778</b>	<b>142,059</b>	<b>122,419</b>
Cost of sales	(61,176)	(47,119)	(110,273)	(93,752)
<b>Gross profit</b>	<b>15,965</b>	<b>15,659</b>	<b>31,786</b>	<b>28,667</b>
Other income	86	101	173	138
Interest Income	212	272	413	616
Administrative expenses	(2,676)	(2,562)	(5,567)	(4,919)
Interest expense	(31)	-	(31)	-
<b>Profit before taxation</b>	<b>13,556</b>	<b>13,470</b>	<b>26,774</b>	<b>24,502</b>
Tax expense	(3,555)	(3,598)	(6,980)	(6,552)
<b>Profit for the period</b>	<b>10,001</b>	<b>9,872</b>	<b>19,794</b>	<b>17,950</b>
<b>Attributable to:</b>				
Shareholders of the Company	10,001	9,872	19,794	17,950
Minority interest	-	-	-	-
<b>Profit for the period</b>	<b>10,001</b>	<b>9,872</b>	<b>19,794</b>	<b>17,950</b>
<b>Earnings per share</b>				
Basic Earnings per Ordinary Share (sen)	1.81	1.77*	3.57	3.22*
Diluted Earnings per Ordinary Share (sen)	-	-	-	-

\* Adjusted to reflect the subdivision of shares on 21 January 2008

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 2007

**QUARTERLY REPORT – Second Quarter Ended 30 June 2008****CONDENSED CONSOLIDATED BALANCE SHEET**

At 30 June 2008

	<b>30 June 2008 RM'000</b>	<b>31 December 2007 RM'000</b>
<b>ASSETS</b>		
<b>Non-current Assets</b>		
Property, plant and equipment	39,323	34,917
Prepaid lease payments	1,058	1,071
Land held for property development	71,995	71,566
	112,376	107,554
<b>Current Assets</b>		
Inventories	8,480	2,984
Property development costs	21,052	20,627
Trade and other receivables	181,208	140,538
Deposits, cash and bank balances	20,845	41,101
	231,585	205,250
<b>TOTAL ASSETS</b>	<b>343,961</b>	<b>312,804</b>
<b>EQUITY</b>		
Share capital	116,535	116,535
Capital redemption reserves	2,165	2,165
Retained earnings	128,736	115,501
Treasury shares	(18,443)	(17,107)
<b>Total Equity attributable to Shareholders of the Company</b>	<b>228,993</b>	<b>217,094</b>
<b>Minority Interest</b>	-	-
<b>TOTAL EQUITY</b>	<b>228,993</b>	<b>217,094</b>
<b>LIABILITIES</b>		
<b>Non-current Liabilities</b>		
Deferred tax liabilities	5,830	5,863
<b>Current Liabilities</b>		
Trade and other payables	102,546	86,509
Borrowing	2,383	-
Current tax liabilities	4,209	3,338
	109,138	89,847
<b>TOTAL LIABILITIES</b>	<b>114,968</b>	<b>95,710</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>343,961</b>	<b>312,804</b>
<b>Net Assets Per Share Attributable to Ordinary Equity Shareholders (RM)</b>	<b>0.41</b>	<b>0.39*</b>

\* Adjusted to reflect the subdivision of shares on 21 January 2008

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**QUARTERLY REPORT – Second Quarter Ended 30 June 2008****CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

For the period ended 30 June 2008

	Period ended 30 June	
	2008 RM'000	2007 RM'000
<b>Profit before taxation</b>	<b>26,774</b>	<b>24,502</b>
<b>Adjustments for:-</b>		
Depreciation of plant, property and equipment	2,061	1,963
Amortisation of prepaid lease payments	13	13
(Gain)/Loss on disposal of property, plant & equipment	(16)	5
Interest income	(413)	(616)
<b>Operating profit before changes in working capital</b>	<b>28,419</b>	<b>25,867</b>
<b>Changes in working capital</b>		
Net change in inventories	(5,496)	1,881
Net change in property development costs	(394)	1,568
Net change in trade & other receivables	(42,458)	(4,687)
Net change in trade & other payables	18,024	(14,374)
<b>Cash (used in)/generated from operating activities</b>	<b>(1,905)</b>	<b>10,255</b>
Overdraft interest capitalised	(31)	-
Taxes paid	(6,142)	(5,565)
<b>Net cash (used in)/generated from operating activities</b>	<b>(8,078)</b>	<b>4,690</b>
<b>Investing Activities</b>		
Purchase of property, plant & equipment	(6,714)	(2,748)
Proceeds from disposal of property, plant & equipment	263	6
Land held for property development	(429)	(1,543)
Interest received	215	495
<b>Net cash (used in)/generated from investing activities</b>	<b>(6,665)</b>	<b>(3,790)</b>
<b>Financing Activities</b>		
Dividend paid	(6,559)	(5,695)
Purchase of own shares	(1,336)	(1,462)
<b>Net cash used in financing activities</b>	<b>(7,895)</b>	<b>(7,157)</b>
<b>Net Change in Cash &amp; Cash Equivalents</b>	<b>(22,638)</b>	<b>(6,257)</b>
<b>Cash &amp; Cash Equivalents at 1 January 2008 / 1 January 2007</b>	<b>40,651</b>	<b>49,351</b>
<b>Cash &amp; Cash Equivalents at 30 June 2008 / 30 June 2007</b>	<b>18,013</b>	<b>43,094</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 2007



**QUARTERLY REPORT – Second Quarter Ended 30 June 2008**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the period ended 30 June 2008

	<b>SHARE CAPITAL</b>	<b>CAPTIAL REDEMPTION RESERVE</b>	<b>RETAINED EARNINGS</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>Period ended 30 June 2008</b>					
Balance at 1 January 2008	<b>116,535</b>	<b>2,165</b>	<b>115,501</b>	<b>(17,107)</b>	<b>217,094</b>
Profit for the period	-	-	19,794	-	19,794
Dividend – 2007 final	-	-	(6,559)	-	(6,559)
Treasury shares, at cost	-	-	-	(1,336)	(1,336)
<b>Balance at 30 June 2008</b>	<b>116,535</b>	<b>2,165</b>	<b>128,736</b>	<b>(18,443)</b>	<b>228,993</b>
<b>Period ended 30 June 2007</b>					
Balance at 1 January 2007	<b>116,535</b>	<b>2,165</b>	<b>88,743</b>	<b>(14,276)</b>	<b>193,167</b>
Profit for the period	-	-	17,950	-	17,950
Dividend – 2006 final	-	-	(5,695)	-	(5,695)
Treasury shares, at cost	-	-	-	(1,462)	(1,462)
<b>Balance at 30 June 2007</b>	<b>116,535</b>	<b>2,165</b>	<b>100,998</b>	<b>(15,738)</b>	<b>203,960</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 2007



**QUARTERLY REPORT – Second Quarter Ended 30 June 2008**

**NOTES TO THE INTERIM FINANCIAL REPORT**

For the quarter ended 30 June 2008

**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: 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 2007. It has been prepared in accordance with the same accounting policies adopted in the 2007 financial statements, except for the adoption of the following new/revised FRSs that are applicable to the Group for the annual period beginning 1 January 2008:-

- FRS 107, Cash Flow Statements
- FRS 111, Construction Contracts
- FRS 112, Income Taxes
- FRS 118, Revenue
- FRS 134, Interim Financial Reporting
- FRS 137, Provisions, Contingent Liabilities and Contingent Assets

The initial applications of these FRSs do not have any material impact on the financial statements of the Group.

**2. 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.

**3. 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.

**4. Changes in estimates**

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

**5. 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 428,500 of its own shares from the open market at the average cost of RM0.77 per share, totalling RM328,908. All the repurchase transactions were financed by internally generated funds. As at 30 June 2008, a total of 29,131,500 shares purchased back were held as treasury shares with total cost of RM18,443,314. None of the shares purchased back was resold or cancelled during the quarter under review.

**6. Segmental Reporting**

Business segments	6 months ended 30 June					
	Construction		Property development		Consolidated	
	2008	2007	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	125,988	94,610	16,071	27,809	142,059	122,419
Segment result	<u>22,084</u>	<u>16,200</u>	<u>4,277</u>	<u>7,686</u>	26,361	23,886
Interest income					413	616
Profit before tax					26,774	24,502
Tax expense					(6,980)	(6,552)
Profit after tax					<u>19,794</u>	<u>17,950</u>

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



**QUARTERLY REPORT – Second Quarter Ended 30 June 2008**

**7. Dividend Paid**

The final dividend of 8 percent per share less tax at 26% totalling RM6,558,324 for the year ended 31 December 2007 was paid on 9 June 2008.

**8. 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.

**9. Subsequent Material Events**

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

**10. Changes in the Composition of the Group**

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

**11. Contingent Liabilities**

There were no contingent liabilities in respect of the Group that have arisen since 31 December 2007 till the date of this quarterly report.

**12. Commitments**

The amount of commitments not provided for in the interim financial report as at 30 June 2008 are as follows:-

	<u>6 months ended 30 June</u>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Approved and contracted for</b>		
Acquisition of land	-	3,120
Acquisition of property, plant and equipment	1,592	-
<b>Total</b>	<u>1,592</u>	<u>3,120</u>

**13. Related Party Transactions**

The aggregate gross value of significant recurrent related party transactions for the six months ended 30 June 2008 were as follows:-

	<u>6 months ended 30 June</u>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Aggregate gross value of significant recurrent related party transactions	<u>15,033</u>	<u>11,068</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.

**14. Key Management Personnel Compensation**

	<u>6 months ended 30 June</u>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Directors' compensation	1,411	1,272
Other key management personnel compensation	<u>1,257</u>	<u>1,099</u>



**QUARTERLY REPORT – Second Quarter Ended 30 June 2008**

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

For the quarter ended 30 June 2008

**15. Review of Performance**

The Group's revenue for the quarter under review is RM77.14 million against the preceding year corresponding quarter's figure of RM62.78 million. Net profit before tax of the Group for the current quarter is RM13.56 million as compared to RM13.47 million for the preceding year's corresponding quarter.

**16. Variation of Results against Immediate Preceding Quarter**

The net profit before tax of the Group for the current quarter is RM13.56 million as compared to RM13.22 million for the immediate preceding quarter on the back of the Group's revenue of RM77.14 million and RM64.92 million respectively.

**17. Current Year Prospects**

HSL Group's value of projects in hand remains at record levels of about RM1.2 billion. Although, the rapid growth of the construction industry may have been somewhat dampened by the sharp increase in the prices of construction materials, prospects in East Malaysia remain sound. Infrastructure works in Sarawak are ongoing with the added allocations from the 9MP mid-term review and SCORE boosting the output of contracts from the Government.

HSL Group is pursuing further contracts within its core areas of business particularly reclamation, infrastructure and construction works. Steps have been taken to ensure procurement and pricing strategies fully take into account inflationary pressures and other challenging market conditions.

**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.

**19. Tax Expense**

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June		6 months ended 30 June	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Current Tax Expense - Malaysian				
Current Period/Year	3,468	3,707	7,013	6,895
(Over)/under provision in prior year	-	(32)	-	(32)
	3,468	3,675	7,013	6,863
Deferred Tax Expense - Malaysian				
Current Period/Year	118	(24)	50	(202)
Deferred tax over-reversed in prior year	28	-	28	-
Effect of changes in tax rate	(59)	(53)	(111)	(109)
<b>Total Taxation</b>	<b>3,555</b>	<b>3,598</b>	<b>6,980</b>	<b>6,552</b>

**Reconciliation of effective tax expense**

Profit for the quarter/period	10,001	9,872	19,794	17,950
Total tax expense	3,555	3,598	6,980	6,552
Profit before taxation	13,556	13,470	26,774	24,502
Income tax using Malaysian tax rates	3,524	3,637	6,961	6,616
Effect of lower tax rate for a subsidiary	(7)	(9)	(15)	(18)
Deferred tax over-reversed in prior year	28	-	28	-
Non-deductible expenses	69	55	117	95
Effect of changes in tax rate	(59)	(53)	(111)	(109)
	3,555	3,630	6,980	6,584
(Over)/under provision in prior year	-	(32)	-	(32)
<b>Tax expense</b>	<b>3,555</b>	<b>3,598</b>	<b>6,980</b>	<b>6,552</b>



**QUARTERLY REPORT – Second Quarter Ended 30 June 2008**

**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 sale of unquoted investments and/or properties during the current quarter under review.

**23. Group Borrowings and Debt Securities**

The Group Borrowing as at the end of the reporting period comprised one unsecured bank overdraft denominated in Ringgit Malaysia.

**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.

**25. Material Litigation**

There was no material litigation pending since 31 December 2007 till the date of this quarterly report.

**26. Dividend**

The Board has declared a first interim ordinary dividend of 8% per share less tax at 26% payable to shareholders on 8 October 2008. The dividend entitlement date shall be 16 September 2008.

**27. Earnings Per Share**

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30 June		30 June	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to ordinary shareholders of the Company (RM'000)	10,001	9,872	19,794	17,950
Weighted average number of ordinary shares ('000)	553,736	556,864*	554,027	557,158*
Basic earnings per share (sen)	1.81	1.77*	3.57	3.22*

\* Adjusted to reflect the subdivision of shares on 21 January 2008

**28. 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 2007 in their report dated 28 February 2008.

**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 21 August 2008.

Issue Date: 21 August 2008