



QUARTERLY REPORT – Second Quarter Ended 30 June 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the quarter ended 30 June 2010

| | CURRENT QUARTER | | CUMULATIVE QUARTER | |
|--|---------------------------|----------------|---------------------------|----------------|
| | 3 months ended 30 June | | 6 months ended 30 June | |
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| <i>In thousand of RM</i> | | | | |
| Continuing operations | | | | |
| Revenue | 111,255 | 82,103 | 203,661 | 159,981 |
| Cost of sales | (85,089) | (62,475) | (157,198) | (123,708) |
| Gross profit | 26,166 | 19,628 | 46,463 | 36,273 |
| Other income | 245 | 69 | 643 | 125 |
| Administrative expenses | (2,797) | (2,973) | (5,716) | (6,111) |
| Results from operating activities | 23,614 | 16,724 | 41,390 | 30,287 |
| Finance income | 368 | 384 | 793 | 793 |
| Finance expense | - | (1) | - | (1) |
| Net finance income | 368 | 383 | 793 | 792 |
| Profit before tax | 23,982 | 17,107 | 42,183 | 31,079 |
| Income tax expense | (5,997) | (4,303) | (10,657) | (7,856) |
| Profit for the period | 17,985 | 12,804 | 31,526 | 23,223 |
| Other comprehensive income, net of tax | - | - | - | - |
| Total comprehensive income for the period | 17,985 | 12,804 | 31,526 | 23,223 |
| Profit attributable to: | | | | |
| Owners of the Company | 17,983 | 12,804 | 31,524 | 23,223 |
| Minority interests | 2 | - | 2 | - |
| Profit for the period | 17,985 | 12,804 | 31,526 | 23,223 |
| Total comprehensive income attributable to: | | | | |
| Owners of the Company | 17,983 | 12,804 | 31,524 | 23,223 |
| Minority interests | 2 | - | 2 | - |
| Total comprehensive income for the period | 17,985 | 12,804 | 31,526 | 23,223 |
| Earnings per share from continuing operations | | | | |
| Basic earnings per ordinary share (sen) | 3.27 | 2.33 | 5.74 | 4.23 |
| Diluted earnings per ordinary share (sen) | 3.27 | 2.33 | 5.74 | 4.23 |

The notes set out on pages 5 to 8 form an integral part of, and should be read in conjunction with this interim financial report and the Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2009



QUARTERLY REPORT – Second Quarter Ended 30 June 2010

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

In thousand of RM

| | 30 June 2010 RM'000 | 31 December 2009 RM'000 |
|---|------------------------------------|--|
| ASSETS | | |
| Property, plant and equipment | 73,683 | 70,111 |
| Prepaid lease payments | 1,008 | 1,020 |
| Land held for property development | 67,175 | 66,721 |
| Total non-current assets | 141,866 | 137,852 |
| Inventories | 13,861 | 10,982 |
| Property development costs | 21,311 | 25,626 |
| Trade and other receivables | 275,595 | 226,935 |
| Cash and bank balances | 82,425 | 76,360 |
| Total current assets | 393,192 | 339,903 |
| TOTAL ASSETS | 535,058 | 477,755 |
| EQUITY | | |
| Share capital | 116,535 | 116,535 |
| Capital redemption reserves | 2,165 | 2,165 |
| Retained earnings | 218,618 | 193,967 |
| Treasury shares | (21,727) | (20,706) |
| Total equity attributable to owners of the Company | 315,591 | 291,961 |
| Minority interests | 201 | 199 |
| TOTAL EQUITY | 315,792 | 292,160 |
| LIABILITIES | | |
| Deferred tax liabilities | 11,209 | 10,368 |
| Total non-current liabilities | 11,209 | 10,368 |
| Trade and other payables | 199,585 | 170,609 |
| Current tax liabilities | 8,472 | 4,618 |
| Total current liabilities | 208,057 | 175,227 |
| TOTAL LIABILITIES | 219,266 | 185,595 |
| TOTAL EQUITY AND LIABILITIES | 535,058 | 477,755 |
| Net Assets Per Share Attributable to Ordinary Equity Owners (RM) | 0.58 | 0.53 |

The notes set out on pages 5 to 8 form an integral part of, and should be read in conjunction with this interim financial report and the Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2009



QUARTERLY REPORT – Second Quarter Ended 30 June 2010

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2010

| | Period ended 30 June | |
|---|----------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| <i>In thousand of RM</i> | | |
| Cash flows from operating activities | | |
| Profit before taxation from continuing operations | 42,183 | 31,079 |
| Adjustments for:- | | |
| Non-cash items | 3,322 | 2,463 |
| Non-operating items | (794) | (792) |
| Operating profit before changes in working capital | 44,711 | 32,750 |
| Changes in working capital | (15,352) | (3,586) |
| Cash generated from operation | 29,359 | 29,164 |
| Overdraft interest capitalized | - | (1) |
| Income taxes paid | (5,593) | (5,139) |
| Net cash from operating activities | 23,766 | 24,024 |
| Cash flows from investing activities | | |
| Acquisition of property, plant & equipment | (11,493) | (1,712) |
| Proceeds from disposal of property, plant & equipment | 200 | 5 |
| Land held for property development | (308) | (193) |
| Interest received | 691 | 812 |
| Net cash used in investing activities | (10,910) | (1,088) |
| Cash flows from financing activities | | |
| Purchase of treasury shares | (1,021) | (340) |
| Dividend paid to owners of the Company | (5,770) | (2,473) |
| Net cash used in financing activities | (6,791) | (2,813) |
| Net (decrease)/increase in cash and cash equivalents | 6,065 | 20,123 |
| Cash and cash equivalents at 1 January 2010 / 1 January 2009 | 75,910 | 56,492 |
| Cash and cash equivalents at 30 June 2010 / 30 June 2009 | 81,975 | 76,615 |

Cash and cash equivalents

Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise:

| | Period ended 30 June | |
|-------------------------------------|----------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| <i>In thousand of RM</i> | | |
| Cash and bank balances | 19,209 | 10,815 |
| Deposits with licensed banks | 63,216 | 66,250 |
| Less Deposit pledged | (450) | (450) |
| | 81,975 | 76,615 |

The notes set out on pages 5 to 8 form an integral part of, and should be read in conjunction with this interim financial report and the Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31 December 2009



QUARTERLY REPORT – Second Quarter Ended 30 June 2010

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2010

| | -----Attributable to owners of the Company----- | | | | | | |
|---|---|----------------------------|-----------------|-------------------|----------------|-------------------|----------------|
| | -----Non-distributable----- | | | Distributable | | | |
| | SHARE CAPITAL | CAPITAL REDEMPTION RESERVE | TREASURY SHARES | RETAINED EARNINGS | TOTAL | MINORITY INTEREST | TOTAL EQUITY |
| <i>In thousand of RM</i> | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Period ended 30 June 2010 | | | | | | | |
| At 1 January 2010, as previously stated | 116,535 | 2,165 | (20,706) | 193,967 | 291,961 | 199 | 292,160 |
| - effect of adopting FRS 139 | - | - | - | (1,103) | (1,103) | - | (1,103) |
| At 1 January 2010, as restated | 116,535 | 2,165 | (20,706) | 192,864 | 290,858 | 199 | 291,057 |
| Total Comprehensive income for the period | - | - | - | 31,524 | 31,524 | 2 | 31,526 |
| Dividends to owners | | | | | | | |
| - 2009 final | - | - | - | (4,121) | (4,121) | - | (4,121) |
| - 2009 special | - | - | - | (1,649) | (1,649) | - | (1,649) |
| Treasury shares, at cost | - | - | (1,021) | - | (1,021) | - | (1,021) |
| At 30 June 2010 | 116,535 | 2,165 | (21,727) | 218,618 | 315,591 | 201 | 315,792 |
| Period ended 30 June 2009 | | | | | | | |
| At 1 January 2009 | 116,535 | 2,165 | (20,296) | 144,237 | 242,641 | - | 242,641 |
| Total Comprehensive income for the period | - | - | - | 23,223 | 23,223 | - | 23,223 |
| Dividends to owners – 2008 final | - | - | - | (2,473) | (2,473) | - | (2,473) |
| Treasury shares, at cost | - | - | (340) | - | (340) | - | (340) |
| At 30 June 2009 | 116,535 | 2,165 | (20,636) | 164,987 | 263,051 | - | 263,051 |

The notes set out on pages 5 to 8 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 2009



QUARTERLY REPORT – Second Quarter Ended 30 June 2010

NOTES TO THE INTERIM FINANCIAL REPORT

For the quarter ended 30 June 2010

1. Basis of preparation

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with the applicable disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Financial Reporting Standard (FRS) 134, Interim Financial Reporting. They do not include all the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2009.

2. Significant accounting policies

These condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies applied in the 2009 financial statements except as described below:

(i) FRS 139, Financial Instruments: Recognition and Measurement

FRS139 sets out principals for the recognition and measurement of financial instruments. A financial instrument is recognized in the statement of financial position when, and, only when, the Group becomes a party to the contractual provisions of the instrument. A financial instrument is recognized initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument. Subsequently measurement of these instruments at balance sheet date reflects the designation of the financial instruments. The adoption of FRS 139 has resulted in following changes to accounting policies:-

Receivables

Prior to the adoption of FRS 139, receivables were initially recorded at their costs and subsequently stated at cost less allowance for doubtful debts. With the adoption of FRS 139, receivables that are financial assets are categorized as loans and receivables and are now recognized initially at their fair values and subsequently measured at amortised cost using the effective interest method.

Impairment of receivables

Prior to the adoption of FRS 139, an allowance for doubtful debts was made when a receivable is considered irrecoverable. With the adoption of FRS 139, an impairment loss for a receivable that is a financial asset is recognized when there is objective evidence that an impairment loss has been incurred and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Payables

Prior to the adoption of FRS 139, payables were recorded at their costs. With the adoption of FRS 139, payables that are financial liabilities are now recognized initially at their fair values and subsequently measured at amortised cost using the effective interest method.

In accordance with the transitional provisions of FRS139 for the first-time adoption, adjustments arising from remeasuring the financial instruments at the beginning of the financial period were recognized as adjustments of the opening balance of retained earnings as follows:-

| | Retained earnings |
|---------------------------------------|--------------------------|
| Group | 2010 |
| <i>In thousand of RM</i> | RM'000 |
| As at 1 January, as previously stated | 193,967 |
| Effects on adopting FRS 139: | (1,103) |
| As at 1 January, as restated | 192,864 |

Comparatives are not adjusted. Consequently, the adoption of FRS139 does not affect the basic and diluted earnings per ordinary share for prior periods. The adoption of FRS139 does not have any significant impact on the earnings for the current financial year to date.

(ii) FRS 8, Operating Segments

As of 1 January 2010, the Group determines and presents operating segments based on the information that is provided to the Group's Managing Director, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of FRS 8. Previously, operating segments were determined and presented in accordance with FRS 114²⁰⁰⁴, Segment Reporting. Comparative segment



QUARTERLY REPORT – Second Quarter Ended 30 June 2010

information has been re-presented. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

(iii) FRS 101(revised), Presentation of Financial Statements

The Group applies revised FRS 101 (revised) which became effective as of 1 January 2010. As a result, income statements have been re-presented as statement of comprehensive income. All non-owner changes in equity that were presented in the statement of changes in equity are now in the statement of comprehensive income. Consequently, components of comprehensive income are not presented in the statement of changes in equity. Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change only affects presentation aspects, there is no impact on earnings per ordinary share.

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.

5. Changes in estimates

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

6. Operating Segment

The Group has two reportable segments, as described below, which are the Group's strategic units.

Construction

Marine and civil engineering works and construction

Property development

Development of residential and commercial properties

In thousand of RM

Segment profit

Revenue from external customer

Inter-segment revenue

Segment profit before tax, interest, depreciation

Depreciation

Interest income

Interest expense

Segment profit before tax

Income tax expense

Profit after tax for reportable segments

Other non-reportable segments, net of tax

Realization of inter-segment profit previously eliminated, net of tax

Profit for the period

| -----6 months ended 30 June----- | | | | | |
|----------------------------------|---------------|----------------------|--------------|---------------|---------------|
| Construction | | Property Development | | Total | |
| 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| 185,822 | 145,768 | 17,839 | 14,213 | 203,661 | 159,981 |
| - | - | - | - | - | - |
| 39,330 | 29,674 | 5,536 | 3,033 | 44,866 | 32,707 |
| (3,457) | (2,427) | (24) | (23) | (3,481) | (2,450) |
| 740 | 779 | 51 | 14 | 791 | 793 |
| | | | (1) | - | (1) |
| 36,613 | 28,026 | 5,563 | 3,023 | 47,176 | 31,049 |
| | | | | (10,656) | (7,845) |
| | | | | 31,520 | 23,204 |
| | | | | 2 | - |
| | | | | 4 | 19 |
| | | | | 31,526 | 23,223 |

Segment assets

Other non-reportable segment

Inter-segment elimination

Total assets

| | | | | | |
|---------|---------|---------|---------|----------------|----------------|
| 408,152 | 318,864 | 117,777 | 114,765 | 525,929 | 433,629 |
| | | | | 9,488 | 949 |
| | | | | (359) | (380) |
| | | | | 535,058 | 434,198 |

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 2010

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 repurchased 683,000 of its own shares from the open market at an average price of RM1.495 per share. The shares repurchased are retained as treasury shares and carried at cost. As at 30 June 2010, a total of 33,862,100 shares purchased back were held as treasury shares with total cost of RM21,727,237 and all the repurchase transactions were financed by internally generated funds. None of the shares purchased back was resold or cancelled during the quarter under review.

8. Dividends Paid

The final dividend of 5% per share less tax at 25% totaling RM4,121,227 and the special dividend of 2% less tax at 25% totaling RM1,648,490 for the year ended 31 December 2009 were paid on 15 June 2010.

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 was 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 30 June 2010 till the date of this quarterly report.

13. Commitments

The amount of commitments not provided for in the interim financial report as at 30 June 2010 are as follows:-

| | __ 6 months ended 30 June __ | |
|--|------------------------------|--------|
| | 2010 | 2009 |
| | RM'000 | RM'000 |
| Acquisition of property, plant and equipment | | |
| Approved and contracted for | 691 | 27,710 |
| Approved but not contracted for | 800 | - |
| | 1,491 | 27,710 |

14. Related Party Transactions

The aggregate gross value of significant recurrent related party transactions for the six months ended 30 June 2010 were as follows:-

| | __ 6 months ended 30 June __ | |
|---|------------------------------|--------|
| | 2010 | 2009 |
| | RM'000 | RM'000 |
| Aggregate gross value of significant recurrent related party transactions | 19,189 | 14,003 |

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 2010

15. Key Management Personnel Compensation

| | <u>6 months ended 30 June</u> | |
|---|-------------------------------|---------------|
| | <u>2010</u> | <u>2009</u> |
| | <u>RM'000</u> | <u>RM'000</u> |
| Directors' compensation | 1,517 | 1,416 |
| Other key management personnel compensation | 1,487 | 1,424 |

ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS

For the quarter ended 30 June 2010

16. Review of Performance

The Group's revenue for the quarter under review is RM111.26 million against the preceding year corresponding quarter's figure of RM82.10 million. Net profit before tax of the Group for the current quarter is RM23.98 million as compared to RM17.11 million for the preceding year's corresponding quarter.

17. Variation of Results against Immediate Preceding Quarter

The net profit before tax of the Group for the current quarter is RM23.98 million compared to RM18.20 million for the immediate preceding quarter on the back of the Group's revenue of RM111.26 million and RM92.41 million respectively.

18. Current Year Prospects

There has been a rise in infrastructure contracts, particularly access roads to the proposed hydro-dams under the Sarawak Corridor of Renewable Energy (SCORE) initiatives. HSL Group has been bidding for these and expects to hear outcomes in late 2010. With the strong first half year financial results substantially bettering the record results of the corresponding period of 2009, HSL expects to continue its momentum of growth in 2010.

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. Income Tax Expense

| <i>In thousand of RM</i> | Individual Quarter | | Cumulative Quarter | |
|---|-------------------------------|---------------|-------------------------------|---------------|
| | 3 months ended 30 June | | 6 months ended 30 June | |
| | 2010 | 2009 | 2010 | 2009 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current Tax Expense - Malaysian | | | | |
| Current quarter/period | 5,109 | 4,315 | 8,955 | 7,865 |
| (Over)/Under provision in prior year | 492 | (31) | 492 | (31) |
| Deferred Tax Expense - Malaysian | | | | |
| Current quarter/period | 907 | 18 | 1,721 | 22 |
| (Over)/Under provision in prior year | (511) | - | (511) | - |
| Total Taxation | 5,997 | 4,302 | 10,657 | 7,856 |

Reconciliation of effective tax expense

| | | | | |
|--------------------------------------|--------------|--------------|---------------|--------------|
| Profit for the quarter/period | 17,985 | 12,804 | 31,526 | 23,223 |
| Total income tax expense | 5,997 | 4,302 | 10,657 | 7,856 |
| Profit before taxation | 23,982 | 17,106 | 42,183 | 31,079 |
| Income tax using Malaysian tax rates | 5,996 | 4,277 | 10,546 | 7,770 |
| Non-deductible expenses | 20 | 56 | 130 | 117 |
| Over provision in prior year | (19) | (31) | (19) | (31) |
| Income tax expense | 5,997 | 4,302 | 10,657 | 7,856 |

21. Unquoted Investments and/or Properties

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



QUARTERLY REPORT – Second Quarter Ended 30 June 2010

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

There were no borrowings and debt securities outstanding as at the end of the reporting period.

25. Off Balance Sheet Financial Instruments

There were no borrowings, debt securities and off balance sheet financial instruments outstanding as at the end of the reporting period.

26. Material Litigation

There was no material litigation pending since 30 June 2010 till the date of this quarterly report.

27. Dividend

The Board of Directors has declared a first interim ordinary dividend of 6% per share less tax at 25% payable to shareholders on 8 October 2010. The dividend entitlement date shall be 15 September 2010.

28. Earnings Per Share

| <i>In thousand of RM</i> | Individual Quarter | | Cumulative Quarter | |
|--|-----------------------------------|---------------|-----------------------------------|---------------|
| | 3 months ended 30 June | | 6 months ended 30 June | |
| | 2010 | 2009 | 2010 | 2009 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Net profit attributable to ordinary owners of the Company (RM'000) | 17,983 | 12,804 | 31,524 | 23,223 |
| Weighted average number of ordinary shares ('000) | 549,155 | 549,568 | 549,155 | 549,631 |
| Basic earnings per share (sen) | 3.27 | 2.33 | 5.74 | 4.23 |

29. Gains/Losses arising from fair value changes of financial liabilities

There were no gains or losses arising from fair value changes of the financial liabilities for the current quarter and financial period ended 30 June 2010.

30. 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 2009 in their report dated 25 February 2010.

31. 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 25 August 2010.

Issue Date: 25 August 2010