



**QUARTERLY REPORT – Second Quarter Ended 30 June 2011**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the quarter ended 30 June 2011

	CURRENT QUARTER		CUMULATIVE QUARTER	
	3 months ended 30 June		6 months ended 30 June	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<i>In thousand of RM</i>				
<b>Continuing operations</b>				
<b>Revenue</b>	<b>148,879</b>	<b>111,255</b>	<b>272,505</b>	<b>203,661</b>
Cost of sales	(119,346)	(85,089)	(217,527)	(157,198)
<b>Gross profit</b>	<b>29,533</b>	<b>26,166</b>	<b>54,978</b>	<b>46,463</b>
Other income	162	245	512	643
Administrative expenses	(2,918)	(2,797)	(6,118)	(5,716)
<b>Results from operating activities</b>	<b>26,777</b>	<b>23,614</b>	<b>49,372</b>	<b>41,390</b>
Finance income	1,282	368	2,347	793
Finance expense	(116)	-	(237)	-
Net finance income	1,166	368	2,110	793
<b>Profit before tax</b>	<b>27,943</b>	<b>23,982</b>	<b>51,482</b>	<b>42,183</b>
Income tax expense	(7,054)	(5,997)	(12,920)	(10,657)
<b>Profit for the period</b>	<b>20,889</b>	<b>17,985</b>	<b>38,562</b>	<b>31,526</b>
<b>Other comprehensive income, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>	<b>20,889</b>	<b>17,985</b>	<b>38,562</b>	<b>31,526</b>
<b>Profit attributable to:</b>				
Owners of the Company	20,888	17,983	38,560	31,524
Minority interests	1	2	2	2
<b>Profit for the period</b>	<b>20,889</b>	<b>17,985</b>	<b>38,562</b>	<b>31,526</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	20,888	17,983	38,560	31,524
Minority interests	1	2	2	2
<b>Total comprehensive income for the period</b>	<b>20,889</b>	<b>17,985</b>	<b>38,562</b>	<b>31,526</b>
<b>Earnings per share from continuing operations</b>				
Basic earnings per ordinary share (sen)	3.78	3.27	6.97	5.74
Diluted earnings per ordinary share (sen)	3.78	3.27	6.97	5.74

The notes set out on pages 5 to 9 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 2010



## QUARTERLY REPORT – Second Quarter Ended 30 June 2011

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2011

In thousand of RM

	30 June 2011 RM'000	31 December 2010 RM'000
<b>ASSETS</b>		
Property, plant and equipment	101,311	96,175
Land held for property development	88,126	87,344
<b>Total non-current assets</b>	<b>189,437</b>	<b>183,519</b>
Inventories	11,876	13,077
Property development costs	28,917	27,013
Trade and other receivables	242,989	244,190
Prepayments and other assets	26,731	24,519
Cash and bank balances	133,833	89,702
<b>Total current assets</b>	<b>444,346</b>	<b>398,501</b>
<b>TOTAL ASSETS</b>	<b>633,783</b>	<b>582,020</b>
<b>EQUITY</b>		
Share capital	116,535	116,535
Capital redemption reserves	2,165	2,165
Retained earnings	278,471	247,369
Treasury shares	(25,443)	(21,029)
<b>Total equity attributable to owners of the Company</b>	<b>371,728</b>	<b>345,040</b>
<b>Minority interests</b>	<b>205</b>	<b>203</b>
<b>TOTAL EQUITY</b>	<b>371,933</b>	<b>345,243</b>
<b>LIABILITIES</b>		
Deferred tax liabilities	14,947	14,067
<b>Total non-current liabilities</b>	<b>14,947</b>	<b>14,067</b>
Trade and other payables	237,826	217,297
Current tax liabilities	9,077	5,413
<b>Total current liabilities</b>	<b>246,903</b>	<b>222,710</b>
<b>TOTAL LIABILITIES</b>	<b>261,850</b>	<b>236,777</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>633,783</b>	<b>582,020</b>
<b>Net Assets Per Share Attributable to Ordinary Equity Owners (RM)</b>	<b>0.67</b>	<b>0.62</b>

The notes set out on pages 5 to 9 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 2010



**QUARTERLY REPORT – Second Quarter Ended 30 June 2011**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the period ended 30 June 2011

<i>In thousand of RM</i>	Period ended 30 June	
	2011 RM'000	2010 RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation from continuing operations	51,482	42,183
<i>Adjustments for:-</i>		
Non-cash items	3,834	3,322
Non-operating items	(1,758)	(794)
<b>Operating profit before changes in working capital</b>	<b>53,558</b>	<b>44,711</b>
Changes in working capital	19,322	(15,352)
<b>Cash generated from operation</b>	<b>72,880</b>	<b>29,359</b>
Income taxes paid	(8,375)	(5,593)
<b>Net cash from operating activities</b>	<b>64,505</b>	<b>23,766</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant & equipment	(10,019)	(11,493)
Proceeds from disposal of property, plant & equipment	698	200
Land held for property development	(782)	(308)
Interest received	1,601	691
<b>Net cash used in investing activities</b>	<b>(8,502)</b>	<b>(10,910)</b>
<b>Cash flows from financing activities</b>		
Purchase of treasury shares	(4,414)	(1,021)
Dividend paid to owners of the Company	(7,458)	(5,770)
<b>Net cash used in financing activities</b>	<b>(11,872)</b>	<b>(6,791)</b>
<b>Net increase in cash and cash equivalents</b>	<b>44,131</b>	<b>6,065</b>
<b>Cash and cash equivalents at 1 January 2011 / 1 January 2010</b>	<b>89,252</b>	<b>75,910</b>
<b>Cash and cash equivalents at 30 June 2011 / 30 June 2010</b>	<b>133,383</b>	<b>81,975</b>

**Cash and cash equivalents**

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

<i>In thousand of RM</i>	Period ended 30 June	
	2011 RM'000	2010 RM'000
<b>Cash and bank balances</b>	<b>9,210</b>	<b>19,209</b>
<b>Deposits with licensed banks</b>	<b>124,623</b>	<b>63,216</b>
<b>Less Deposit pledged</b>	<b>(450)</b>	<b>(450)</b>
	<b>133,383</b>	<b>81,975</b>

The notes set out on pages 5 to 9 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 2010



**QUARTERLY REPORT – Second Quarter Ended 30 June 2011**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the period ended 30 June 2011

	-----Attributable to owners of the Company-----							
	-----Non-distributable-----			Distributable		TOTAL	MINORITY INTEREST	TOTAL EQUITY
	SHARE CAPITAL	CAPITAL REDEMPTION RESERVE	TREASURY SHARES	RETAINED EARNINGS				
<i>In thousand of RM</i>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Period ended 30 June 2011</b>								
At 1 January 2011	116,535	2,165	(21,029)	247,369	345,040	203	345,243	
Total Comprehensive income for the period	-	-	-	38,560	38,560	2	38,562	
Dividends to owners								
- 2010 final				(4,972)	(4,972)		(4,972)	
- 2010 special				(2,486)	(2,486)		(2,486)	
Treasury shares, at cost	-	-	(4,414)	-	(4,414)	-	(4,414)	
<b>At 30 June 2011</b>	<b>116,535</b>	<b>2,165</b>	<b>(25,443)</b>	<b>278,471</b>	<b>371,728</b>	<b>205</b>	<b>371,933</b>	
<b>Period ended 30 June 2010</b>								
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)	
<b>At 30 June 2010</b>	<b>116,535</b>	<b>2,165</b>	<b>(21,727)</b>	<b>218,618</b>	<b>315,591</b>	<b>201</b>	<b>315,792</b>	

The notes set out on pages 5 to 9 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 2010



**QUARTERLY REPORT – Second Quarter Ended 30 June 2011**

**NOTES TO THE INTERIM FINANCIAL REPORT**

For the quarter ended 30 June 2011

**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 2010.

**2. Significant accounting policies**

These condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies applied in the 2010 financial statements.

**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. 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 966,900 of its own shares from the open market at an average price of RM1.709 per share. The shares repurchased are retained as treasury shares and carried at cost.

As at 30 June 2011, the number of treasury shares held were 30,257,758 shares at a total cost of RM25,443,218 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.

**7. 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

**For the period ended 30 June 2011**

*In thousand of RM*

**Segment profit**

*Revenue from external customer*

*Segment profit before tax, interest, depreciation and other material non-cash items*

Depreciation

Interest income from bank balances

Interest income from other financial assets

Interest expense on other financial liabilities

**Segment profit before tax**

Income tax expense

**Profit for the period**

**Segment assets**

	<b>Construction</b>	<b>Property Development</b>	<b>Other non-Reportable segment</b>	<b>Inter-Segment elimination</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<i>Revenue from external customer</i>	259,059	13,446	-	-	272,505
<i>Segment profit before tax, interest, depreciation and other material non-cash items</i>	49,184	4,454	(1)	-	53,637
Depreciation	(4,242)	(23)	-	-	(4,265)
Interest income from bank balances	1,438	223	6	-	1,667
Interest income from other financial assets	671	9	-	-	680
Interest expense on other financial liabilities	(237)	-	-	-	(237)
<b>Segment profit before tax</b>	<b>46,814</b>	<b>4,663</b>	<b>5</b>	<b>-</b>	<b>51,482</b>
Income tax expense					(12,920)
<b>Profit for the period</b>					<b>38,562</b>
<b>Segment assets</b>	<b>478,513</b>	<b>146,125</b>	<b>9,495</b>	<b>(350)</b>	<b>633,783</b>



**QUARTERLY REPORT – Second Quarter Ended 30 June 2011**

	Construction	Property Development	Other non-Reportable segment	Inter-Segment elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>For the period ended 30 June 2010</b> <i>In thousand of RM</i>					
<b>Segment profit</b>					
<i>Revenue from external customer</i>	185,822	17,839	-	-	203,661
<i>Segment profit before tax, interest, depreciation and other material non-cash items</i>	39,331	5,536	-	4	44,871
Depreciation	(3,457)	(24)	-	-	(3,481)
Interest income from bank balances	568	43	2	-	613
Interest income from other financial assets	172	8	-	-	180
<b>Segment profit before tax</b>	<b>36,614</b>	<b>5,563</b>	<b>2</b>	<b>4</b>	<b>42,183</b>
Income tax expense					(10,657)
<b>Profit for the period</b>					<b>31,526</b>
<b>Segment assets</b>	408,152	117,777	9,488	(359)	535,058

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

**8. Dividend Paid**

The final dividend of 6% per share less tax at 25% totaling RM4,971,764 and the special dividend of 3% per share less tax at 25% totaling RM2,485,882 for the year ended 31 December 2010 were paid on 16 June 2011.

**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 2011 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 2011 are as follows:-

	<u>As at 30 June</u>	
	<u>2011</u>	<u>2010</u>
	<u>RM'000</u>	<u>RM'000</u>
Acquisition of property, plant and equipment		
Approved and contracted for	2,881	691
Approved but not contracted for	800	800
	<u>3,681</u>	<u>1,491</u>

**14. Recurrent Related Party Transactions**

The aggregate gross value of significant recurrent related party transactions for the six months ended 30 June 2011 were as follows:-

	<u>6 months ended 30 June</u>	
	<u>2011</u>	<u>2010</u>
	<u>RM'000</u>	<u>RM'000</u>
Aggregate gross value of significant recurrent related party transactions	<u>22,453</u>	<u>19,189</u>



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**QUARTERLY REPORT – Second Quarter Ended 30 June 2011**

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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.

**15. Key Management Personnel Compensation**

	<b>6 months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Directors' compensation	1,607	1,517
Other key management personnel compensation	1,589	1,487
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**QUARTERLY REPORT – Second Quarter Ended 30 June 2011**

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

For the quarter ended 30 June 2011

**16. Review of Performance**

The Group’s revenue for the quarter under review is RM148.88 million against the preceding year corresponding quarter’s figure of RM111.26 million. Net profit before tax of the Group for the current quarter is RM27.94 million as compared to RM23.98 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 RM27.94 million compared to RM23.54 million for the immediate preceding quarter on the back of the Group’s revenue of RM148.88 million and RM123.63 million respectively.

**18. Current Year Prospects**

Rapid industrialisation and urbanization in Sarawak continues to create demand for improved public infrastructure in the state’s growing cities. This puts impetus on projects such as centralized sewerage, flood mitigation and roads/flyovers auguring well for HSL. Currently, high energy consuming industries are setting up within the Sarawak Corridor of Renewable Energy (SCORE) and there is a flow of projects at the SCORE growth node towns of Tanjung Manis, Mukah and Samalaju along the central Sarawak coast. At the same time, the government’s emphasis on improving rural infrastructure, including the provision of power and access to treated water, is intensifying construction activity into the interiors of Sarawak. HSL has shown another strong first half year financial results for 2011, exceeding the record results of the first half of 2010. With the amount of construction activity in the state and HSL’s leading position in the industry, we can expect the momentum of growth this year to be ongoing.

**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>	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 months ended 30 June</b>		<b>6 months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>RM’000</b>	<b>RM’000</b>	<b>RM’000</b>	<b>RM’000</b>
<b>Current Tax Expense - Malaysian</b>				
Current quarter/period	5,994	5,109	11,541	8,955
Under provision in prior year	498	492	498	492
<b>Deferred Tax Expense - Malaysian</b>				
Current quarter/period	1,064	907	1,460	1,721
Over provision in prior year	(502)	(511)	(579)	(511)
<b>Income tax expense</b>	<b>7,054</b>	<b>5,997</b>	<b>12,920</b>	<b>10,657</b>
<b>Reconciliation of effective tax expense</b>				
Profit for the quarter/period	20,889	17,985	38,562	31,526
Total income tax expense	7,054	5,997	12,920	10,657
Profit before taxation	27,943	23,982	51,482	42,183
Income tax using Malaysian tax rates	6,986	5,996	12,871	10,546
Non-deductible expenses	72	20	130	130
Over provision in prior year	(4)	(19)	(81)	(19)
<b>Income tax expense</b>	<b>7,054</b>	<b>5,997</b>	<b>12,920</b>	<b>10,657</b>

**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.





**QUARTERLY REPORT – Second Quarter Ended 30 June 2011**

**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 2011 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 the shareholders on 7 October 2011. The dividend entitlement date shall be 15 September 2011.

**28. Earnings Per Share**

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30 June		30 June	
	2011	2010	2011	2010
Net profit attributable to ordinary owners of the Company (RM'000)	20,888	17,983	38,560	31,524
Weighted average number of ordinary shares ('000)	552,741	549,155	553,128	549,155
Basic earnings per share (sen)	3.78	3.27	6.97	5.74

**29. Derivative Financial Instruments**

There were no derivative financial instruments as at 30 June 2011.

**30. 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 2011.

**31. Disclosure of realised and unrealised profits**

The breakdown of the retained profits of the Group into realised and unrealised profits, pursuant to the directive of Bursa Securities Malaysia Berhad, is as follows:

<i>In thousand of RM</i>	As at		As at	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010
	RM'000	RM'000	RM'000	RM'000
Total retained profits of the Company and its subsidiaries				
- Realised	293,860	230,276		
- Unrealised	(15,034)	(11,299)		
	278,826	218,977		
Less : Consolidation adjustments	(355)	(359)		
Total retained profits as per consolidated financial statements	278,471	218,618		

The determination of realised and unrealised profits is complied based on *Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements*, issued by the Malaysian Institute of Accountants.

**32. 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 2010 in their report dated 28 February 2011.

**33. 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 2011.