



QUARTERLY REPORT – Second Quarter Ended 30 June 2014

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the quarter ended 30 June 2014

	CURRENT QUARTER		CUMULATIVE QUARTER	
	3 months ended 30 June		6 months ended 30 June	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<i>In thousand of RM</i>				
Continuing operations				
Revenue	140,214	140,369	256,239	275,453
Cost of sales	(114,203)	(108,832)	(207,694)	(216,152)
Gross profit	26,011	31,537	48,545	59,301
Other income	1,130	472	2,747	643
Administrative expenses	(2,751)	(3,123)	(5,986)	(6,289)
Results from operating activities	24,390	28,886	45,306	53,655
Finance income	1,106	1,464	2,328	2,922
Finance expense	(88)	(112)	(192)	(256)
Net finance income	1,018	1,352	2,136	2,666
Profit before tax	25,408	30,238	47,442	56,321
Income tax expense	(6,436)	(7,603)	(12,070)	(14,191)
Profit for the period	18,972	22,635	35,372	42,130
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the period	18,972	22,635	35,372	42,130
Profit attributable to Owners of the Company	18,972	22,635	35,372	42,130
Profit for the period	18,972	22,635	35,372	42,130
Total comprehensive income attributable to Owners of the Company	18,972	22,635	35,372	42,130
Total comprehensive income for the period	18,972	22,635	35,372	42,130
Earnings per share from continuing operations				
Basic earnings per ordinary share (sen)	3.45	4.08	6.43	7.60

The notes set out on pages 5 to 10 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 2013



QUARTERLY REPORT – Second Quarter Ended 30 June 2014

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2014

In thousand of RM

	30 June 2014 RM'000	31 December 2013 RM'000
ASSETS		
Property, plant and equipment	119,612	123,453
Investment properties	13,002	12,714
Land held for property development	178,601	172,113
Total non-current assets	311,215	308,280
Inventories	13,550	15,018
Property development costs	50,871	46,730
Trade and other receivables	226,395	231,312
Deposits and other assets	18,619	21,220
Cash and bank balances	122,442	157,791
Total current assets	431,877	472,071
TOTAL ASSETS	743,092	780,351
EQUITY		
Share capital	116,535	116,535
Capital redemption reserves	2,165	2,165
Retained earnings	480,168	454,691
Treasury shares	(37,511)	(36,370)
Total equity attributable to owners of the Company	561,357	537,021
TOTAL EQUITY	561,357	537,021
LIABILITIES		
Deferred tax liabilities	15,840	15,558
Total non-current liabilities	15,840	15,558
Trade and other payables	161,507	222,952
Current tax payables	4,388	4,820
Total current liabilities	165,895	227,772
TOTAL LIABILITIES	181,735	243,330
TOTAL EQUITY AND LIABILITIES	743,092	780,351
Net Assets Per Share Attributable to Ordinary Equity Owners (RM)	1.02	0.98

The notes set out on pages 5 to 10 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 2013



QUARTERLY REPORT – Second Quarter Ended 30 June 2014

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the period ended 30 June 2014

	Period ended 30 June	
	2014 RM'000	2013 RM'000
<i>In thousand of RM</i>		
Cash flows from operating activities		
Profit before taxation from continuing operations	47,442	56,321
<i>Adjustments for:-</i>		
Non-cash items	5,240	4,638
Non-operating items	(4,549)	(3,058)
Operating profit before changes in working capital	48,133	57,901
Change in inventories	1,468	785
Change in property development costs	(4,133)	1,403
Change in receivables, deposits and other financial assets	7,808	(8,936)
Change in payables	(61,639)	(37,509)
Cash (used in)/generated from operations	(8,363)	13,644
Income taxes paid	(12,219)	(11,997)
Net cash (used in)/generated from operating activities	(20,582)	1,647
Cash flows from investing activities		
Acquisition of property, plant & equipment	(4,064)	(9,543)
Proceeds from disposal of property, plant & equipment	5,280	476
Acquisition of investment property	(497)	(21)
Land held for property development	(6,488)	(4,041)
Interest received	2,038	2,655
Net cash used in investing activities	(3,731)	(10,474)
Cash flows from financing activities		
Purchase of treasury shares	(1,141)	(3,093)
Dividends paid to owners of the Company	(9,895)	(10,806)
Net cash used in financing activities	(11,036)	(13,899)
Net decrease in cash and cash equivalents	(35,349)	(22,726)
Cash and cash equivalents at 1 January 2014 / 1 January 2013	157,791	198,769
Cash and cash equivalents at 30 June 2014 / 30 June 2013	122,442	176,043

Cash and cash equivalents

Cash and cash equivalents included in the condensed consolidated statements of cash flows comprise the following amounts in condensed consolidated statements of financial position:

	Period ended 30 June	
	2014 RM'000	2013 RM'000
<i>In thousand of RM</i>		
Cash and bank balances	28,876	35,107
Deposits placed with licensed banks	93,566	140,936
	122,442	176,043

The notes set out on pages 5 to 10 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 2013



QUARTERLY REPORT – Second Quarter Ended 30 June 2014

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the period ended 30 June 2014

	-----Attributable to owners of the Company-----				
	-----Non-distributable-----		-----Distributable-----		TOTAL
	SHARE CAPITAL	CAPTIAL REDEMPTION RESERVES	TREASURY SHARES	RETAINED EARNINGS	
<i>In thousand of RM</i>	RM'000	RM'000	RM'000	RM'000	RM'000
Period ended 30 June 2014					
At 1 January 2014	116,535	2,165	(36,370)	454,691	537,021
Profit and total comprehensive income for the period	-	-	-	35,372	35,372
Dividends to owners – 2013 final	-	-	-	(9,895)	(9,895)
Treasury shares, at cost	-	-	(1,141)	-	(1,141)
At 30 June 2014	116,535	2,165	(37,511)	480,168	561,357
Period ended 30 June 2013					
At 1 January 2013	116,535	2,165	(25,672)	386,901	479,929
Profit and total comprehensive income for the period	-	-	-	42,130	42,130
Dividends to owners					
- 2012 final	-	-	-	(8,312)	(8,312)
- 2012 special	-	-	-	(2,494)	(2,494)
Treasury shares, at cost	-	-	(3,093)	-	(3,093)
At 30 June 2013	116,535	2,165	(28,765)	418,225	508,160

The notes set out on pages 5 to 10 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 2013



QUARTERLY REPORT – Second Quarter Ended 30 June 2014

NOTES TO THE INTERIM FINANCIAL REPORT

For the quarter ended 30 June 2014

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 issued by Malaysian Accounting Standard Board. 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 2013.

2. Significant accounting policies

These condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies applied in the 2013 financial statements except for the adoption of the new and revised FRSs, IC Interpretations and Amendments that are applicable to the Group for the financial period beginning 1 January 2014. The adoption of these FRSs, interpretations and amendments does not have any material impact on the financial statements of the Group.

The Group falls within the scope of IC interpretation 15, *Agreements for the Construction of Real Estate*. Therefore the Group is currently exempted from adopting the Malaysian Financial Reporting Standards (“MFRS”) and is referred to as a “Transitioning Entity”. Being a Transitioning Entity, The Group and the Company will adopt the MFRS and present its first set of MFRS financial statements when adoption of the MFRS is mandated by the Malaysian Accounting Standard Board.

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 did not buy back any shares.

As at 30 June 2014, the number of treasury shares held were 32,966,781 shares at a total cost of RM37,511,363 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.



QUARTERLY REPORT – Second Quarter Ended 30 June 2014

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

	Construction	Property Development	Other non-Reportable segment	Inter-Segment elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
For the period ended 30 June 2014					
<i>In thousand of RM</i>					
Segment profit					
Revenue from external customers	240,055	16,184	-	-	256,239
Segment profit before tax, interest, depreciation and other material non-cash items	45,275	5,058	(2)	18	50,349
Depreciation	(4,819)	(15)	(209)	-	(5,043)
Interest income from bank balances	1,907	38	29	-	1,974
Interest income from other financial assets	323	31	-	-	354
Interest expense on other financial liabilities	(192)	-	-	-	(192)
Segment profit before tax	42,494	5,112	(182)	18	47,442
Income tax expense					(12,070)
Profit for the period					35,372
Segment assets	468,195	251,204	23,985	(292)	743,092
Segment liabilities	169,794	12,001	13	(73)	181,735

	Construction	Property Development	Other non-Reportable segment	Inter-Segment elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
For the period ended 30 June 2013					
<i>In thousand of RM</i>					
Segment profit					
Revenue from external customers	247,797	27,656	-	-	275,453
Segment profit before tax, interest, depreciation and other material non-cash items	48,608	9,552	(4)	22	58,178
Depreciation	(4,467)	(14)	(42)	-	(4,523)
Interest income from bank balances	2,616	70	34	-	2,720
Interest income from other financial assets	202	-	-	-	202
Interest expense on other financial liabilities	(256)	-	-	-	(256)
Segment profit before tax	46,703	9,608	(12)	22	56,321
Income tax expense					(14,191)
Profit for the period					42,130
Segment assets	484,481	250,111	15,906	(315)	750,183
Segment liabilities	229,498	12,587	17	(79)	242,023

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 single-tier tax exempt dividend of 9% per ordinary share totaling RM9,894,757 for the year ended 31 December 2013 were paid on 23 June 2014.

9. Subsequent Material Events

There was 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.



QUARTERLY REPORT – Second Quarter Ended 30 June 2014

11. Contingent Liabilities

There were no contingent liabilities in respect of the Group that have arisen since 30 June 2014 till the date of this quarterly report.

12. Property, plant and equipment

The acquisitions and disposals of property, plant and equipment for the period ended 30 June 2014 were as follows:-

<i>In thousand of RM</i>	<u>6 months ended 30 June</u>	
	2014	2013
	RM'000	RM'000
Acquisitions of property, plant and equipment, at cost	4,064	9,543
Disposals of property, plant and equipment, at carrying amount	<u>3,063</u>	<u>195</u>

13. Commitment

The amount of commitment not provided for in the interim financial report as at 30 June 2014 were as follows:-

<i>In thousand of RM</i>	<u>As at 30 June</u>	
	2014	2013
	RM'000	RM'000
Acquisition of property, plant and equipment		
Approved and contracted for	1,147	1,004
Approved but not contracted for	<u>75,000</u>	<u>75,400</u>
	<u>76,147</u>	<u>76,404</u>

14. Recurrent Related Party Transactions

The aggregate gross value of significant recurrent related party transactions for the period ended 30 June 2014 were as follows:-

<i>In thousand of RM</i>	<u>6 months ended 30 June</u>	
	2014	2013
	RM'000	RM'000
Aggregate gross value of significant recurrent related party transactions	<u>24,092</u>	<u>28,762</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 Hoe and Yii Chee Sing (Yu/Yii Brothers);
- ii) Lau Kiing Kang and Lau Kiing Yiing (brothers-in-law of the Yu/Yii Brothers); and
- iii) Estate of the Late Yu Chee Lieng.

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

<i>In thousand of RM</i>	<u>6 months ended 30 June</u>	
	2014	2013
	RM'000	RM'000
Directors' compensation	1,416	1,547
Other key management personnel compensation	<u>1,611</u>	<u>1,658</u>



QUARTERLY REPORT – Second Quarter Ended 30 June 2014

ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS

For the quarter ended 30 June 2014

16. Review of Performance

The Group derives revenue from construction and property development activities.

Revenue for the quarter under review is RM140.21 million compared to the preceding year corresponding quarter's figure of RM140.37 million while the net profit before tax for the current quarter is RM25.41 million compared to RM30.24 million for the preceding year's corresponding quarter.

The changes in revenue and net profit before tax were contributed by the following segments:

Construction segment: For the 3- month period ended 30 June 2014, the revenue and net profit before tax increased to RM132.20 million and RM22.98 million from the previous year's corresponding quarter figures of RM120.43 million and RM22.92 million respectively. The revenue for the current quarter has improved by 10% as compared to the previous year's corresponding quarter while profit before tax remained steady.

Property development segment: For the period ended 30 June 2014, the revenue and net profit before tax decreased to RM8.01 million and RM2.42 million from the previous year's corresponding quarter figures of RM19.94 million and RM7.31 million respectively. This was mainly due to higher properties sales in 2013 arising from new project launches.

17. Variation of Results against Immediate Preceding Quarter

The net profit before tax of the Group for the current quarter has improved to RM25.41 million compared to RM22.03 million for the immediate preceding quarter on the back of the Group's revenue of RM140.21 million and RM116.03 million respectively.

18. Current Year Prospects

Sarawak is a vibrant state with domestic economic growth forecast of 5% for 2014. The Group will continue to pursue projects that draw on its core strengths in infrastructure works especially those requiring marine engineering aspects. Activities in the SCORE (Sarawak Corridor of Renewable Energy) region will remain a significant source of new construction contracts. Meanwhile, the government's efforts to improve the State's infrastructure and amenities available to the rural communities are initiatives which generate further opportunities for the Group. HSL's property development segment has launched its commercial development in 2014 and has lined up further residential and industrial development for launching in 2014.

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.



QUARTERLY REPORT – Second Quarter Ended 30 June 2014

20. Income Tax Expense

	Individual Quarter 3 months ended 30 June		Cumulative Quarter 6 months ended 30 June	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<i>In thousand of RM</i>				
Current Tax Expense - Malaysian				
Current quarter/period	6,414	7,778	11,865	14,119
Over provision in prior year	(78)	(16)	(78)	(16)
Deferred Tax Expense - Malaysian				
Current quarter/period	60	(175)	243	72
Under provision in prior year	40	16	40	16
Income tax expense	6,436	7,603	12,070	14,191

Reconciliation of effective tax expense

Profit for the quarter/period	18,972	22,635	35,372	42,130
Total income tax expense	6,436	7,603	12,070	14,191
Profit before taxation	25,408	30,238	47,442	56,321
Income tax using Malaysian tax rates	6,352	7,559	11,860	14,080
Non-deductible expenses	122	44	248	111
Over provision in prior year	(38)	-	(38)	-
Income tax expense	6,436	7,603	12,070	14,191

21. Status of Corporate Proposals

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

22. Group Borrowings and Debt Securities

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

23. Material Litigation

There was no material litigation pending since 30 June 2014 till the date of this quarterly report.

24. Dividend

The Board of Directors has declared a first interim single-tier tax exempt dividend of 6% per ordinary share for the year ending 31 December 2014, payable to the shareholders on 8 October 2014. The dividend entitlement date shall be 18 September 2014.

25. Earnings per Share

	Individual Quarter 3 months ended 30 June		Cumulative Quarter 6 months ended 30 June	
	2014	2013	2014	2013
Net profit attributable to ordinary owners of the Company (RM'000)	18,972	22,635	35,372	42,130
Weighted average number of ordinary shares ('000)	549,709	554,227	549,824	554,658
Basic earnings per share (sen)	3.45	4.08	6.43	7.60



QUARTERLY REPORT – Second Quarter Ended 30 June 2014

26. Profit before tax

Profit before tax is arrived at after charging/(crediting) the followings:

<i>In thousand of RM</i>	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30 June		30 June	
	2014	2013	2014	2013
	RM,000	RM,000	RM,000	RM,000
Interest income from bank balances	935	1,381	1,974	2,720
Interest income from other financial assets	171	82	354	202
Other income including investment income	64	64	129	131
Interest expense on other financial liabilities	88	112	192	256
Depreciation and amortization	2,530	2,283	5,043	4,523
Provision for and write off of receivables	-	-	-	-
Provision for and write off of inventories	-	-	-	-
Gain/(loss) on disposal of properties, plant and equipment	1,043	286	2,543	337
Gain/(loss) on disposal of investments	-	-	-	-
Impairment/(Reversal of impairment) of financial assets	(322)	37	(757)	(17)
Foreign exchange gain/(loss)	1	(8)	1	39
Gain/(loss) on derivatives	-	-	-	-
Exceptional item	-	-	-	-

27. Derivative Financial Instruments

There were no derivative financial instruments as at 30 June 2014.

28. 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 2014.

29. Disclosure of realised and unrealised profits

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

<i>In thousand of RM</i>	As at	As at
	30 June 2014	30 June 2013
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	497,025	435,038
- Unrealised	(16,565)	(16,498)
	480,460	418,540
Less : Consolidation adjustments	(292)	(315)
Total retained earnings as per consolidated financial statements	480,168	418,225

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.

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 2013 in their report dated 31 March 2014.

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 27 August 2014.

Issue Date: 27 August 2014