



**QUARTERLY REPORT – Third Quarter Ended 30 September 2014**

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the quarter ended 30 September 2014

	CURRENT QUARTER		CUMULATIVE QUARTER	
	<i>3 months ended 30 September</i>		<i>9 months ended 30 September</i>	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<i>In thousand of RM</i>				
<b>Continuing operations</b>				
<b>Revenue</b>	<b>155,361</b>	<b>130,118</b>	<b>411,601</b>	<b>405,571</b>
Cost of sales	(124,726)	(100,292)	(332,421)	(316,445)
<b>Gross profit</b>	<b>30,635</b>	<b>29,826</b>	<b>79,180</b>	<b>89,126</b>
Other income	153	419	2,900	1,062
Administrative expenses	(3,100)	(3,461)	(9,086)	(9,750)
<b>Results from operating activities</b>	<b>27,688</b>	<b>26,784</b>	<b>72,994</b>	<b>80,438</b>
Finance income	1,035	1,273	3,364	4,196
Finance expense	(63)	(76)	(256)	(332)
Net finance income	972	1,197	3,108	3,864
<b>Profit before tax</b>	<b>28,660</b>	<b>27,981</b>	<b>76,102</b>	<b>84,302</b>
Income tax expense	(7,269)	(7,148)	(19,339)	(21,339)
<b>Profit for the period</b>	<b>21,391</b>	<b>20,833</b>	<b>56,763</b>	<b>62,963</b>
<b>Other comprehensive income, net of tax</b>	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>21,391</b>	<b>20,833</b>	<b>56,763</b>	<b>62,963</b>
<b>Profit attributable to Owners of the Company</b>	21,391	20,833	56,763	62,963
<b>Profit for the period</b>	<b>21,391</b>	<b>20,833</b>	<b>56,763</b>	<b>62,963</b>
<b>Total comprehensive income attributable to Owners of the Company</b>	21,391	20,833	56,763	62,963
<b>Total comprehensive income for the period</b>	<b>21,391</b>	<b>20,833</b>	<b>56,763</b>	<b>62,963</b>
<b>Earnings per share from continuing operations</b>				
Basic earnings per ordinary share (sen)	3.89	3.77	10.32	11.38

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 – Third Quarter Ended 30 September 2014

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As at 30 September 2014

*In thousand of RM*

	<b>30 September 2014 RM'000</b>	<b>31 December 2013 RM'000</b>
<b>ASSETS</b>		
Property, plant and equipment	118,927	123,453
Investment properties	12,896	12,714
Land held for property development	172,491	172,113
<b>Total non-current assets</b>	<b>304,314</b>	<b>308,280</b>
Inventories	13,181	15,018
Property development costs	63,705	46,730
Trade and other receivables	236,774	231,312
Deposits and other assets	12,597	21,220
Cash and bank balances	129,329	157,791
<b>Total current assets</b>	<b>455,586</b>	<b>472,071</b>
<b>TOTAL ASSETS</b>	<b>759,900</b>	<b>780,351</b>
<b>EQUITY</b>		
Share capital	116,535	116,535
Capital redemption reserves	2,165	2,165
Retained earnings	501,559	454,691
Treasury shares	(37,511)	(36,370)
<b>Total equity attributable to owners of the Company</b>	<b>582,748</b>	<b>537,021</b>
<b>TOTAL EQUITY</b>	<b>582,748</b>	<b>537,021</b>
<b>LIABILITIES</b>		
Deferred tax liabilities	15,757	15,558
<b>Total non-current liabilities</b>	<b>15,757</b>	<b>15,558</b>
Trade and other payables	157,351	222,952
Current tax payables	4,044	4,820
<b>Total current liabilities</b>	<b>161,395</b>	<b>227,772</b>
<b>TOTAL LIABILITIES</b>	<b>177,152</b>	<b>243,330</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>759,900</b>	<b>780,351</b>
<b>Net Assets Per Share Attributable to Ordinary Equity Owners (RM)</b>	<b>1.06</b>	<b>0.98</b>

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 – Third Quarter Ended 30 September 2014**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the period ended 30 September 2014

	Period ended 30 September	
	2014 RM'000	2013 RM'000
<i>In thousand of RM</i>		
<b>Cash flows from operating activities</b>		
Profit before taxation from continuing operations	<b>76,102</b>	<b>84,302</b>
<i>Adjustments for:-</i>		
Non-cash items	7,824	6,967
Non-operating items	(5,475)	(4,337)
<b>Operating profit before changes in working capital</b>	<b>78,451</b>	<b>86,932</b>
Change in inventories	1,837	1,958
Change in property development costs	(8,175)	(1,163)
Change in receivables, deposits and other financial assets	3,635	(21,395)
Change in payables	(65,856)	(39,243)
<b>Cash generated from operations</b>	<b>9,892</b>	<b>27,089</b>
Overdraft interest paid	(1)	-
Income taxes paid	(19,917)	(23,672)
<b>Net cash (used in)/generated from operating activities</b>	<b>(10,026)</b>	<b>3,417</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant & equipment	(6,013)	(13,926)
Proceeds from disposal of property, plant & equipment	5,385	686
Acquisition of investment property	(497)	(179)
Land held for property development	(9,165)	(14,191)
Interest received	2,890	3,884
<b>Net cash used in investing activities</b>	<b>(7,400)</b>	<b>(23,726)</b>
<b>Cash flows from financing activities</b>		
Purchase of treasury shares	(1,141)	(10,384)
Dividends paid to owners of the Company	(9,895)	(10,806)
<b>Net cash used in financing activities</b>	<b>(11,036)</b>	<b>(21,190)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(28,462)</b>	<b>(41,499)</b>
<b>Cash and cash equivalents at 1 January 2014 / 1 January 2013</b>	<b>157,791</b>	<b>198,769</b>
<b>Cash and cash equivalents at 30 September 2014 / 30 September 2013</b>	<b>129,329</b>	<b>157,270</b>

**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 September	
	2014 RM'000	2013 RM'000
<i>In thousand of RM</i>		
<b>Cash and bank balances</b>	<b>45,563</b>	<b>41,794</b>
<b>Deposits placed with licensed banks</b>	<b>83,766</b>	<b>115,476</b>
	<b>129,329</b>	<b>157,270</b>

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 – Third Quarter Ended 30 September 2014**

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

For the period ended 30 September 2014

	-----Attributable to owners of the Company-----				
	-----Non-distributable-----		-----Distributable-----		TOTAL
	SHARE CAPITAL	CAPITAL REDEMPTION RESERVES	TREASURY SHARES	RETAINED EARNINGS	
<i>In thousand of RM</i>	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Period ended 30 September 2014</b>					
At 1 January 2014	116,535	2,165	(36,370)	454,691	537,021
Profit and total comprehensive income for the period	-	-	-	56,763	56,763
Dividends to owners – 2013 final	-	-	-	(9,895)	(9,895)
Treasury shares, at cost	-	-	(1,141)	-	(1,141)
<b>At 30 September 2014</b>	<b>116,535</b>	<b>2,165</b>	<b>(37,511)</b>	<b>501,559</b>	<b>582,748</b>
<b>Period ended 30 September 2013</b>					
At 1 January 2013	116,535	2,165	(25,672)	386,901	479,929
Profit and total comprehensive income for the period	-	-	-	62,963	62,963
Dividends to owners					
- 2012 final	-	-	-	(8,312)	(8,312)
- 2012 special	-	-	-	(2,494)	(2,494)
Treasury shares, at cost	-	-	(10,384)	-	(10,384)
<b>At 30 September 2013</b>	<b>116,535</b>	<b>2,165</b>	<b>(36,056)</b>	<b>439,058</b>	<b>521,702</b>

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



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## QUARTERLY REPORT – Third Quarter Ended 30 September 2014

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### NOTES TO THE INTERIM FINANCIAL REPORT

For the quarter ended 30 September 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 (MASB).

On 2 September 2014, MASB has announced that a Transitioning Entity shall apply the MASB Framework for annual periods beginning on or after 1 January 2017. The Group is currently assessing the financial impact of adopting MFRS for annual periods beginning on or after 1 January 2017.

**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 September 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 – Third Quarter Ended 30 September 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

<b>For the period ended 30 September 2014</b> <i>In thousand of RM</i>	<b>Construction</b>	<b>Property Development</b>	<b>Other non-Reportable segment</b>	<b>Inter-Segment elimination</b>	<b>Total</b>
<b>Segment profit</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 customers</i>	390,407	21,194	-	-	411,601
<i>Segment profit before tax, interest, depreciation and other material non-cash items</i>	74,024	6,579	(2)	22	80,623
Depreciation	(7,291)	(23)	(315)	-	(7,629)
Interest income from bank balances	2,799	47	43	-	2,889
Interest income from other financial assets	445	30	-	-	475
Interest expense on bank balances	-	(1)	-	-	(1)
Interest expense on other financial liabilities	(255)	-	-	-	(255)
<b>Segment profit before tax</b>	<b>69,722</b>	<b>6,632</b>	<b>(274)</b>	<b>22</b>	<b>76,102</b>
Income tax expense					(19,339)
<b>Profit for the period</b>					<b>56,763</b>

<b>Segment assets</b>	482,818	253,487	23,882	(287)	759,900
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<b>Segment liabilities</b>	165,310	11,908	5	(71)	177,152
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<b>For the period ended 30 September 2013</b> <i>In thousand of RM</i>	<b>Construction</b>	<b>Property Development</b>	<b>Other non-Reportable segment</b>	<b>Inter-Segment elimination</b>	<b>Total</b>
<b>Segment profit</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 customers</i>	366,826	38,745	-	-	405,571
<i>Segment profit before tax, interest, depreciation and other material non-cash items</i>	73,400	13,900	(3)	24	87,321
Depreciation	(6,798)	(21)	(64)	-	(6,883)
Interest income from bank balances	3,648	236	52	-	3,936
Interest income from other financial assets	260	-	-	-	260
Interest expense on other financial liabilities	(332)	-	-	-	(332)
<b>Segment profit before tax</b>	<b>70,178</b>	<b>14,115</b>	<b>(15)</b>	<b>24</b>	<b>84,302</b>
Income tax expense					(21,339)
<b>Profit for the period</b>					<b>62,963</b>

<b>Segment assets</b>	481,074	260,733	16,049	(312)	757,544
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<b>Segment liabilities</b>	215,961	19,790	169	(78)	235,842
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The activities of the Group are carried out in Malaysia and as such, segmental reporting by geographical locations is not presented.

**8. Dividend Paid**

There was no dividend paid during the quarter ended 30 September 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.



**QUARTERLY REPORT – Third Quarter Ended 30 September 2014**

**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 30 September 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 September 2014 were as follows:-

<i>In thousand of RM</i>	<u>9 months ended 30 September</u>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Acquisitions of property, plant and equipment, at cost	6,013	13,926
Disposals of property, plant and equipment, at carrying amount	<u>3,213</u>	<u>289</u>

**13. Commitment**

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

<i>In thousand of RM</i>	<u>As at 30 September</u>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Acquisition of property, plant and equipment		
Approved and contracted for	320	719
Approved but not contracted for	<u>75,000</u>	<u>75,400</u>
	<u>75,320</u>	<u>76,119</u>

**14. Recurrent Related Party Transactions**

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

<i>In thousand of RM</i>	<u>9 months ended 30 September</u>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Aggregate gross value of significant recurrent related party transactions	<u>34,839</u>	<u>42,808</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 Yii Chi Hau, Yu Chee Hoe, Yii Chee Sing, Lau Kiing Kang, Lau Kiing Yiing and 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>9 months ended 30 September</u>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Directors' compensation	2,051	2,321
Other key management personnel compensation	<u>2,370</u>	<u>2,532</u>



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**QUARTERLY REPORT – Third Quarter Ended 30 September 2014**

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

For the quarter ended 30 September 2014

**16. Review of Performance**

The Group derives revenue from construction and property development activities.

Revenue for the quarter under review is RM155.36 million, an increase of 19% against the preceding year corresponding quarter's figure of RM130.12 million. The increase was mainly due to the increased activities in construction segment which contributed RM150.35 million (97%) of the Group's revenue for the quarter.

The net profit before tax of the Group for the current quarter is RM28.66 million, an increase of 2% as compared to RM27.98 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 September 2014, the revenue and net profit before tax increased to RM150.35 million and RM27.23 million from the previous year's corresponding quarter figures of RM119.03 million and RM23.48 million respectively. The revenue for the current quarter has improved by 26% as compared to the previous year's corresponding quarter while profit before tax remained steady.

Property development segment: For the period ended 30 September 2014, the revenue and net profit before tax decreased to RM5.01 million and RM1.43 million from the previous year's corresponding quarter figures of RM11.09 million and RM4.50 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 RM28.66 million compared to RM25.41 million for the immediate preceding quarter on the back of the Group's revenue of RM155.36 million and RM140.21 million respectively.

**18. Current Year Prospects**

The SCORE (Sarawak Corridor of Renewable Energy) initiative continues to generate construction contracts as infrastructure is put in place for the multi-national industries investing in the area. HSL expects to continue to be active both executing and procuring projects in the key SCORE growth node towns of Tanjung Manis, Mukah and Samalaju. The Group is also focused on further opportunities in the urban centres, particularly drawing on its expertise in marine engineering ie mass land reclamation, flood mitigation, water supply and tunneling. The increased focus on improving infrastructure and utilities for Sarawak's rural communities and the planned upgrading of the Pan-Borneo Highway are also agendas which produce further opportunities for the Group. HSL's property development segment has continued strong sales at Samariang in Kuching's north and is preparing for new launches in 2015.

**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 – Third Quarter Ended 30 September 2014**

**20. Income Tax Expense**

	Individual Quarter 3 months ended 30 September		Cumulative Quarter 9 months ended 30 September	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<i>In thousand of RM</i>				
Current Tax Expense - Malaysian				
Current quarter/period	7,355	6,991	19,220	21,110
Over provision in prior year	(1)	-	(79)	(16)
Deferred Tax Expense - Malaysian				
Current quarter/period	(85)	157	158	229
Under provision in prior year	-	-	40	16
<b>Income tax expense</b>	<b>7,269</b>	<b>7,148</b>	<b>19,339</b>	<b>21,339</b>

**Reconciliation of effective tax expense**

Profit for the quarter/period	21,391	20,833	56,763	62,963
Total income tax expense	7,269	7,148	19,339	21,339
Profit before taxation	28,660	27,981	76,102	84,302
Income tax using Malaysian tax rates	7,166	6,995	19,026	21,075
Non-deductible expenses	103	153	351	264
Over provision in prior year	-	-	(38)	-
<b>Income tax expense</b>	<b>7,269</b>	<b>7,148</b>	<b>19,339</b>	<b>21,339</b>

**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 September 2014 till the date of this quarterly report.

**24. Dividend**

The first interim single-tier tax exempt dividend of 6% per ordinary share for the year ending 31 December 2014 has been paid to the shareholders on 8 October 2014.

**25. Earnings per Share**

	Individual Quarter 3 months ended 30 September		Cumulative Quarter 9 months ended 30 September	
	2014	2013	2014	2013
	Net profit attributable to ordinary owners of the Company (RM'000)	21,391	20,833	56,763
Weighted average number of ordinary shares ('000)	549,709	552,630	549,824	553,156
Basic earnings per share (sen)	3.89	3.77	10.32	11.38



**QUARTERLY REPORT – Third Quarter Ended 30 September 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		9 months ended	
	30 September		30 September	
	2014	2013	2014	2013
	RM,000	RM,000	RM,000	RM,000
Interest income from bank balances	914	1,215	2,889	3,935
Interest income from other financial assets	121	58	475	260
Other income including investment income	65	65	194	196
Interest expense on bank balances	1	-	1	-
Interest expense on other financial liabilities	62	76	255	332
Depreciation and amortization	2,586	2,359	7,629	6,883
Provision for and write off of receivables	-	-	-	-
Provision for and write off of inventories	-	-	-	-
Gain/(loss) on disposal of properties, plant and equipment	11	193	2,554	530
Gain/(loss) on disposal of investments	-	-	-	-
Impairment/(Reversal of impairment) of financial assets	(15)	6	(772)	(11)
Foreign exchange gain/(loss)	(4)	12	(3)	51
Gain/(loss) on derivatives	-	-	-	-
Exceptional item	-	-	-	-

**27. Derivative Financial Instruments**

There were no derivative financial instruments as at 30 September 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 September 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 September	30 September
	2014	2013
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	518,441	456,016
- Unrealised	(16,595)	(16,646)
	501,846	439,370
Less : Consolidation adjustments	(287)	(312)
Total retained earnings as per consolidated financial statements	501,559	439,058

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 28 November 2014.

Issue Date: 28 November 2014