



 QUARTERLY REPORT – Second Quarter Ended 30 June 2015

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the quarter ended 30 June 2015

	CURRENT QUARTER		CUMULATIVE QUARTER	
	3 months ended 30 June		6 months ended 30 June	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<i>In thousand of RM</i>				
Continuing operations				
Revenue	149,596	140,214	336,060	256,239
Cost of sales	(124,275)	(114,203)	(282,604)	(207,694)
Gross profit	25,321	26,011	53,456	48,545
Other income	248	1,130	810	2,747
Administrative expenses	(3,249)	(2,751)	(6,580)	(5,986)
Results from operating activities	22,320	24,390	47,686	45,306
Finance income	669	1,106	1,669	2,328
Finance expense	(91)	(88)	(196)	(192)
Net finance income	578	1,018	1,473	2,136
Profit before tax	22,898	25,408	49,159	47,442
Income tax expense	(5,850)	(6,436)	(12,486)	(12,070)
Profit for the period	17,048	18,972	36,673	35,372
Other comprehensive income, net of tax	-	-	-	-
Profit/Total comprehensive income for the period	17,048	18,972	36,673	35,372
Profit/Total comprehensive income attributable to Owners of the Company	17,048	18,972	36,673	35,372
Earnings per share from continuing operations				
Basic earnings per ordinary share (sen)	3.10	3.45	6.67	6.43

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 2014



QUARTERLY REPORT – Second Quarter Ended 30 June 2015

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2015

In thousand of RM

	30 June 2015 RM'000	31 December 2014 RM'000
ASSETS		
Property, plant and equipment	119,284	120,266
Investment properties	14,875	14,182
Land held for property development	178,944	174,004
Total non-current assets	313,103	308,452
Inventories	16,229	13,303
Property development costs	80,993	67,476
Trade and other receivables	280,192	264,119
Deposits and other assets	7,116	4,103
Cash and bank balances	80,929	149,413
Total current assets	465,459	498,414
TOTAL ASSETS	778,562	806,866
EQUITY		
Share capital	116,535	116,535
Capital redemption reserves	2,165	2,165
Retained earnings	543,008	515,127
Treasury shares	(37,859)	(37,859)
Total equity attributable to owners of the Company	623,849	595,968
TOTAL EQUITY	623,849	595,968
LIABILITIES		
Deferred tax liabilities	14,846	15,486
Total non-current liabilities	14,846	15,486
Trade and other payables	136,050	192,578
Current tax payables	3,817	2,834
Total current liabilities	139,867	195,412
TOTAL LIABILITIES	154,713	210,898
TOTAL EQUITY AND LIABILITIES	778,562	806,866
Net Assets Per Share Attributable to Ordinary Equity Owners (RM)	1.14	1.08

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 2014



QUARTERLY REPORT – Second Quarter Ended 30 June 2015

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the period ended 30 June 2015

<i>In thousand of RM</i>	Period ended 30 June	
	2015 RM'000	2014 RM'000
Cash flows from operating activities		
Profit before taxation from continuing operations	49,159	47,442
<i>Adjustments for:-</i>		
Non-cash items	5,109	5,240
Non-operating items	(1,601)	(4,549)
Operating profit before changes in working capital	52,667	48,133
Change in inventories	(2,925)	1,468
Change in property development costs	(13,512)	(4,133)
Change in receivables, deposits and other financial assets	(18,599)	7,808
Change in payables	(56,719)	(61,639)
Cash generated from operations	(39,088)	(8,363)
Overdraft interest paid	(7)	-
Income taxes paid	(12,143)	(12,219)
Net cash generated from operating activities	(51,238)	(20,582)
Cash flows from investing activities		
Acquisition of property, plant & equipment	(4,979)	(4,064)
Proceeds from disposal of property, plant & equipment	1,189	5,280
Acquisition of investment properties	(905)	(497)
Land held for property development	(4,940)	(6,488)
Interest received	1,181	2,038
Net cash used in investing activities	(8,454)	(3,731)
Cash flows from financing activities		
Purchase of treasury shares	-	(1,141)
Dividends paid to owners of the Company	(8,792)	(9,895)
Net cash used in financing activities	(8,792)	(11,036)
Net decrease in cash and cash equivalents	(68,484)	(35,349)
Cash and cash equivalents at 1 January 2015 / 1 January 2014	149,413	157,791
Cash and cash equivalents at 30 June 2015 / 30 June 2014	80,929	122,442

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:

<i>In thousand of RM</i>	Period ended 30 June	
	2015 RM'000	2014 RM'000
Cash and bank balances	65,593	28,876
Deposits placed with licensed banks	15,336	93,566
	80,929	122,442

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 2014



QUARTERLY REPORT – Second Quarter Ended 30 June 2015

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the period ended 30 June 2015

	-----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
Period ended 30 June 2015					
At 1 January 2015	116,535	2,165	(37,859)	515,127	595,968
Profit/Total comprehensive income for the period	-	-	-	36,673	36,673
Dividends to owners – 2014 final	-	-	-	(8,792)	(8,792)
Treasury shares, at cost	-	-	-	-	-
At 30 June 2015	116,535	2,165	(37,859)	543,008	623,849
Period ended 30 June 2014					
At 1 January 2014	116,535	2,165	(36,370)	454,691	537,021
Profit/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

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 2014



QUARTERLY REPORT – Second Quarter Ended 30 June 2015

NOTES TO THE INTERIM FINANCIAL REPORT

For the quarter ended 30 June 2015

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 2014.

2. Significant accounting policies

These condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies applied in the 2014 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 2015. 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 June 2015, the number of treasury shares held were 33,158,781 shares at a total cost of RM37,858,954 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 2015

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 2015

In thousand of RM

Segment profit

Revenue from external customers
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 bank balances

Interest expense on other financial liabilities

Segment profit before tax

Income tax expense

Profit for the period

	Construction	Property Development	Other non-Reportable segment	Inter-Segment elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<i>Revenue from external customers</i>	322,493	13,567	-	-	336,060
<i>Segment profit before tax, interest, depreciation and other material non-cash items</i>	48,893	4,069	(2)	9	52,969
Depreciation	(5,051)	(21)	(211)	-	(5,283)
Interest income from bank balances	1,013	6	37	-	1,056
Interest income from other financial assets	614	(1)	-	-	613
Interest expense on bank balances	-	(7)	-	-	(7)
Interest expense on other financial liabilities	(189)	-	-	-	(189)
Segment profit before tax	45,280	4,046	(176)	9	49,159
Income tax expense					(12,486)
Profit for the period					36,673

Segment assets

	479,282	273,190	26,363	(273)	778,562
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Segment liabilities

	139,179	23,830	(228)	(8,068)	154,713
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For the period ended 30 June 2014

In thousand of RM

Segment profit

Revenue from external customers
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

	Construction	Property Development	Other non-Reportable segment	Inter-Segment elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<i>Revenue from external customers</i>	240,055	16,184	-	-	256,239
<i>Segment profit before tax, interest, depreciation and other material non-cash items</i>	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
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Segment liabilities

	169,794	12,001	13	(73)	181,735
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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

The final single-tier tax exempt dividend of 8% per ordinary share totaling RM8,792,268 for the year ended 31 December 2014 were paid on 23 June 2015.

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 – Second Quarter Ended 30 June 2015

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 June 2015 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 2015 were as follows:-

<i>In thousand of RM</i>	<u>6 months ended 30 June</u>	
	2015	2014
	RM'000	RM'000
Acquisitions of property, plant and equipment, at cost	4,979	4,064
Disposals of property, plant and equipment, at carrying amount	<u>886</u>	<u>3,063</u>

13. Commitment

The amount of commitment not provided for in the interim financial report as at 30 June 2015 were as follows:-

<i>In thousand of RM</i>	<u>As at 30 June</u>	
	2015	2014
	RM'000	RM'000
Acquisition of property, plant and equipment		
Approved and contracted for	11,594	1,147
Approved but not contracted for	60,470	75,000
	<u>72,064</u>	<u>76,147</u>

14. Recurrent Related Party Transactions

The aggregate gross value of significant recurrent related party transactions for the period ended 30 June 2015 were as follows:-

<i>In thousand of RM</i>	<u>6 months ended 30 June</u>	
	2015	2014
	RM'000	RM'000
Aggregate gross value of significant recurrent related party transactions	<u>18,758</u>	<u>24,092</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>6 months ended 30 June</u>	
	2015	2014
	RM'000	RM'000
Directors' compensation	1,400	1,416
Other key management personnel compensation	<u>1,587</u>	<u>1,611</u>



QUARTERLY REPORT – Second Quarter Ended 30 June 2015

ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS

For the quarter ended 30 June 2015

16. Review of Performance

The Group derives revenue from construction and property development activities.

Revenue for the quarter under review is RM149.60 million, an increase of 7% against the preceding year corresponding quarter's figure of RM140.21 million. The increase was mainly due to the increased activities in construction segment which contributed RM143.96 million (96%) of the Group's revenue for the quarter.

The net profit before tax of the Group for the current quarter is RM22.90 million compared to RM25.41 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 2015, the revenue and net profit before tax are RM143.96 million and RM21.21 million compared to the previous year's corresponding quarter figures of RM132.20 million and RM22.98 million respectively. The revenue for the current quarter has improved by 9% as compared to the previous year's corresponding quarter while profit before tax has decreased by 8%. The higher revenue was mainly due to the increased activities in construction segment. Lower profit margin was recorded as more projects were secured via open tender and general increase in cost of construction.

Property development segment: For the 3-month period ended 30 June 2015, the revenue and net profit before tax decreased to RM5.63 million and RM1.68 million from the previous year's corresponding quarter figures of RM8.01 million and RM2.42 million respectively. This was mainly due to higher properties sales in 2014 and the timing of property launches in 2015.

17. Variation of Results against Immediate Preceding Quarter

The net profit before tax of the Group for the current quarter is RM22.90 million compared to RM26.26 million for the immediate preceding quarter on the back of the Group's revenue of RM149.60 million and RM186.46 million respectively.

18. Current Year Prospects

The increased focus on improving infrastructure and utilities for Sarawak's rural communities and the planned upgrading of the Pan-Borneo Highway are agendas which produce opportunities for the Group. The Sarawak Corridor of Renewable Energy (SCORE) initiative as well as the forces of industrialisation and urbanization provides further contracts opportunities for HSL as infrastructure and utilities capabilities are being developed in key SCORE growth node towns of Tanjung Manis, Mukah and Samalaju. The Group also focus on contract works in marine engineering ie mass land reclamation, flood mitigation, water supply and tunneling. HSL's further foresee property development segment making a greater impact on the business of HSL Group and is preparing for new launches in 2015 and beyond.

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 2015

20. Income Tax Expense

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June		6 months ended 30 June	
	2015	2014	2015	2014
<i>In thousand of RM</i>	RM'000	RM'000	RM'000	RM'000
Current Tax Expense - Malaysian				
Current quarter/period	6,133	6,414	13,126	11,865
Over provision in prior year	-	(78)	-	(78)
Deferred Tax Expense - Malaysian				
Current quarter/period	(283)	60	(640)	243
Under provision in prior year	-	40	-	40
Income tax expense	5,850	6,436	12,486	12,070

Reconciliation of effective tax expense

Profit for the quarter/period	17,048	18,972	36,673	35,372
Total income tax expense	5,850	6,436	12,486	12,070
Profit before taxation	22,898	25,408	49,159	47,442
Income tax using Malaysian tax rates	5,725	6,352	12,290	11,860
Non-deductible expenses	125	122	196	248
Over provision in prior year	-	(38)	-	(38)
Income tax expense	5,850	6,436	12,486	12,070

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 2015 till the date of this quarterly report.

24. Dividend

The Board of Directors has declared a first interim single-tier tax exempt dividend of 5% per ordinary share for the year ending 31 December 2015, payable to the shareholders on 8 October 2015. The dividend entitlement date shall be 18 September 2015.

25. Earnings per Share

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June		6 months ended 30 June	
	2015	2014	2015	2014
Net profit attributable to ordinary owners of the Company (RM'000)	17,048	18,972	36,673	35,372
Weighted average number of ordinary shares ('000)	549,517	549,709	549,717	549,824
Basic earnings per share (sen)	3.10	3.45	6.67	6.43



QUARTERLY REPORT – Second Quarter Ended 30 June 2015

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	
	2015	2014	2015	2014
	RM,000	RM,000	RM,000	RM,000
Interest income from bank balances	391	935	1,056	1,974
Interest income from other financial assets	277	171	613	354
Other income including investment income	75	64	141	129
Interest expense on bank balances	1	-	7	-
Interest expense on other financial liabilities	90	88	189	192
Depreciation and amortization	2,632	2,530	5,283	5,043
Provision for and write off of receivables	-	-	-	-
Provision for and write off of inventories	-	-	-	-
Gain/(loss) on disposal of properties, plant and equipment	147	1,043	552	2,543
Gain/(loss) on disposal of investments	-	-	-	-
Impairment/(Reversal of impairment) of financial assets	18	(322)	(98)	(757)
Foreign exchange gain/(loss)	(2)	1	(2)	1
Gain/(loss) on derivatives	-	-	-	-
Exceptional item	-	-	-	-

27. Derivative Financial Instruments

There were no derivative financial instruments as at 30 June 2015.

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 2015.

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 2015	30 June 2014
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	559,364	497,025
- Unrealised	(16,083)	(16,565)
	543,281	480,460
Less : Consolidation adjustments	(273)	(292)
Total retained earnings as per consolidated financial statements	543,008	480,168

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 2014 in their report dated 31 March 2015.

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 26 August 2015.

Issue Date: 26 August 2015