



QUARTERLY REPORT – Second Quarter Ended 30 June 2016

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the quarter ended 30 June 2016

	CURRENT QUARTER		CUMULATIVE QUARTER	
	<i>3 months ended 30 June</i>		<i>6 months ended 30 June</i>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<i>In thousand of RM</i>				
Continuing operations				
Revenue	107,054	149,596	249,313	336,060
Cost of sales	(88,061)	(124,275)	(206,285)	(282,604)
Gross profit	18,993	25,321	43,028	53,456
Other income	89	248	244	810
Administrative expenses	(3,888)	(3,249)	(7,578)	(6,580)
Results from operating activities	15,194	22,320	35,694	47,686
Finance income	1,034	669	2,176	1,669
Finance expense	(96)	(91)	(197)	(196)
Net finance income	938	578	1,979	1,473
Profit before tax	16,132	22,898	37,673	49,159
Income tax expense	(4,051)	(5,850)	(9,337)	(12,486)
Profit for the period	12,081	17,048	28,336	36,673
Other comprehensive income, net of tax	-	-	-	-
Profit/Total comprehensive income for the period	12,081	17,048	28,336	36,673
Profit/Total comprehensive income attributable to:				
Owners of the Company	12,080	17,048	28,335	36,673
Non-controlling Interests	1	-	1	-
Profit/Total comprehensive income for the period	12,081	17,048	28,336	36,673
Earnings per share from continuing operations				
Basic earnings per ordinary share (sen)	2.20	3.10	5.16	6.67

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 2015



QUARTERLY REPORT – Second Quarter Ended 30 June 2016

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2016

In thousand of RM

	30 June 2016 RM'000	31 December 2015 RM'000
ASSETS		
Property, plant and equipment	137,430	127,434
Investment properties	8,733	8,914
Land held for property development	160,393	185,775
Total non-current assets	306,556	322,123
Inventories	17,050	13,385
Property development costs	124,648	90,944
Trade and other receivables	243,186	286,133
Deposits and prepayments	16,000	7,086
Current tax refundable	3,846	-
Cash and bank balances	97,820	94,953
Total current assets	502,550	492,501
TOTAL ASSETS	809,106	814,624
EQUITY		
Share capital	116,535	116,535
Capital redemption reserves	2,165	2,165
Retained earnings	597,679	577,038
Treasury shares	(37,859)	(37,859)
Total equity attributable to owners of the Company	678,520	657,879
Non-controlling interests	3,001	-
TOTAL EQUITY	681,521	657,879
LIABILITIES		
Deferred tax liabilities	13,665	13,991
Total non-current liabilities	13,665	13,991
Trade and other payables	112,577	142,052
Current tax payables	1,343	702
Total current liabilities	113,920	142,754
TOTAL LIABILITIES	127,585	156,745
TOTAL EQUITY AND LIABILITIES	809,106	814,624
Net Assets Per Share Attributable to Ordinary Equity Owners (RM)	1.23	1.20

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 2015



QUARTERLY REPORT – Second Quarter Ended 30 June 2016

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the period ended 30 June 2016

<i>In thousand of RM</i>	Period ended 30 June	
	2016 RM'000	2015 RM'000
Cash flows from operating activities		
Profit before taxation from continuing operations	37,673	49,159
<i>Adjustments for:-</i>		
Non-cash items	4,780	5,109
Non-operating items	(1,464)	(1,601)
Operating profit before changes in working capital	40,989	52,667
Change in inventories	(3,664)	(2,925)
Change in property development costs	(5,146)	(13,512)
Change in trade and other receivables, deposits and prepayments	38,013	(18,599)
Change in trade and other payables	(29,895)	(56,719)
Cash generated from/(used in) operations	40,297	(39,088)
Overdraft interest paid	-	(7)
Interest received	1,419	1,181
Income taxes paid	(12,868)	(12,143)
Net cash generated from/(used in) operating activities	28,848	(50,057)
Cash flows from investing activities		
Acquisition of property, plant & equipment	(15,192)	(4,979)
Proceeds from disposal of property, plant & equipment	76	1,189
Acquisition of investment properties	-	(905)
Land held for property development	(3,171)	(4,940)
Placement of fixed deposits with original maturities exceeding three months	(7,011)	5,990
Net cash used in investing activities	(25,298)	(3,645)
Cash flows from financing activities		
Dividends paid to owners of the Company	(7,693)	(8,792)
Net cash used in financing activities	(7,693)	(8,792)
Net decrease in cash and cash equivalents	(4,143)	(62,494)
Cash and cash equivalents at 1 January 2016 / 1 January 2015	94,606	143,077
Cash and cash equivalents at 30 June 2016 / 30 June 2015	90,463	80,583

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	
	2016 RM'000	2015 RM'000
Cash and bank balances	46,992	65,593
Deposits placed with licensed banks	50,828	15,336
Total	97,820	80,929
Fixed deposits with original maturities exceeding three months	(7,357)	(346)
	90,463	80,583

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 2015



QUARTERLY REPORT – Second Quarter Ended 30 June 2016

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the period ended 30 June 2016

	----- Attributable to owners of the Company -----					NON-CONTROLLING INTEREST	TOTAL EQUITY
	----- Non-distributable -----		----- Distributable -----				
	SHARE CAPITAL	CAPITAL REDEMPTION RESERVES	TREASURY SHARES	RETAINED EARNINGS	TOTAL		
<i>In thousand of RM</i>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Period ended 30 June 2016							
At 1 January 2016	116,535	2,165	(37,859)	577,037	657,878	-	657,878
Issuance of shares by a subsidiary to NCI	-	-	-	-	-	3,000	3,000
Profit/Total comprehensive income for the period	-	-	-	28,335	28,335	1	28,336
Dividends to owners – 2015 final	-	-	-	(7,693)	(7,693)	-	(7,693)
Treasury shares, at cost	-	-	-	-	-	-	-
At 30 June 2016	116,535	2,165	(37,859)	597,679	678,520	3,001	681,521
Period ended 31 June 2015							
At 1 January 2015	116,535	2,165	(37,859)	515,127	595,968	-	595,968
Profit/Total comprehensive income for the period	-	-	-	36,673	36,673	-	36,673
Dividends to owners – 2014 final	-	-	-	(8,792)	(8,792)	-	(8,792)
Treasury shares, at cost	-	-	-	-	-	-	-
At 30 June 2015	116,535	2,165	(37,859)	543,008	623,849	-	623,849

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 2015



QUARTERLY REPORT – Second Quarter Ended 30 June 2016

NOTES TO THE INTERIM FINANCIAL REPORT

For the quarter ended 30 June 2016

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 2015.

2. Significant accounting policies

These condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies applied in the 2015 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 2016. 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 MRFS Framework for annual periods beginning on or after 1 January 2017. On 28 October 2015, MASB further announced that a Transitioning Entity shall apply the MRFS Framework for annual periods beginning on or after 1 January 2018, following the recent press release by the International Accounting Standards Board (IASB) confirming a one-year deferral of IFRS 15 Revenue from Contracts with Customers. The Group is currently assessing the financial impact of adopting MFRS for annual periods beginning on or after 1 January 2018.

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 period 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 2016, 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 2016

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 2016					
<i>In thousand of RM</i>					
Segment profit					
Revenue from external customers	217,180	32,133	-	-	249,313
Segment profit before tax, interest, depreciation and other material non-cash items	29,646	11,371	(10)	6	41,013
Depreciation	(5,098)	(10)	(211)	-	(5,319)
Interest income from bank balances	1,146	29	264	-	1,439
Interest income from other financial assets	737	-	-	-	737
Interest expense on bank balances	-	-	-	-	-
Interest expense on other financial liabilities	(197)	-	-	-	(197)
Segment profit before tax	26,234	11,390	43	6	37,673
Income tax expense					(9,337)
Profit for the period					28,336
Segment assets	513,668	247,405	48,297	(264)	809,106
Segment liabilities	114,327	11,620	1,704	(66)	127,585

	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 2015					
<i>In thousand of RM</i>					
Segment profit					
Revenue from external customers	322,493	13,567	-	-	336,060
Segment profit before tax, interest, depreciation and other material non-cash items	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
Segment liabilities	131,179	23,830	(228)	(68)	154,713

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 7% per ordinary share totaling RM7,693,233 for the year ended 31 December 2015 were paid on 23 June 2016.

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 2016

10. Changes in the Composition of the Group

During the quarter, the Company subscribed to 70% of the paid-up share capital of HSL DMIA JV Sdn Bhd.

11. Contingent Liabilities

There were no contingent liabilities in respect of the Group that have arisen since 30 June 2016 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 2016 were as follows:-

<i>In thousand of RM</i>	___ 6 months ended 30 June ___	
	2016 RM'000	2015 RM'000
Acquisitions of property, plant and equipment, at cost	15,192	4,979
Disposals of property, plant and equipment, at carrying amount	52	886

13. Commitment

The amount of commitment not provided for in the interim financial report as at 30 June 2016 were as follows:-

<i>In thousand of RM</i>	___ As at 30 June ___	
	2016 RM'000	2015 RM'000
Acquisition of property, plant and equipment		
Approved and contracted for	3,825	11,594
Approved but not contracted for	44,661	60,470
	48,486	72,064

14. Recurrent Related Party Transactions

The aggregate gross value of significant recurrent related party transactions for the period ended 30 June 2016 were as follows:-

<i>In thousand of RM</i>	___ 6 months ended 30 June ___	
	2016 RM'000	2015 RM'000
Aggregate gross value of significant recurrent related party transactions	24,900	18,758

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>	___ 6 months ended 30 June ___	
	2016 RM'000	2015 RM'000
Directors' compensation	1,510	1,400
Other key management personnel compensation	1,618	1,587



QUARTERLY REPORT – Second Quarter Ended 30 June 2016

ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS

For the quarter ended 30 June 2016

16. Review of Performance

The Group derives revenue from construction and property development activities.

Revenue for the quarter under review is RM107.05 million, a decrease of 28% as compared to the preceding year corresponding quarter's figure of RM149.60 million. The construction segment contributed RM96.25 million (90%) whilst the property development segment registered a contribution of RM10.80 million (10%) to the Group's revenue during the quarter.

The net profit before tax of the Group for the current quarter is RM16.13 million, a decrease of 30% as compared to RM22.90 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 2016, the revenue and net profit before tax are RM96.25 million and RM12.89 million compared to the previous year's corresponding quarter figures of RM143.96 million and RM21.21 million respectively. The revenue for the current quarter has decreased by 32% as compared to the previous year's corresponding quarter while profit before tax has decreased 44%. The lower revenue was mainly due to the lower progress claim of construction works due to the completion of certain major projects while new projects secured were still in start-up phases. The profit margin for the works executed during the period was also lower.

Property development segment: For the 3-month period ended 30 June 2016, the revenue and net profit before tax increased to RM10.80 million and RM3.24 million from the previous year's corresponding quarter figures of RM5.63 million and RM1.68 million respectively. Higher revenue was recorded during the current quarter due to the timing of recognition of sales from new launches while profit margins remained stable.

17. Variation of Results against Immediate Preceding Quarter

The net profit before tax of the Group for the current quarter is RM16.13 million compared to RM21.54 million for the immediate preceding quarter on the back of the Group's revenue of RM107.05 million and RM142.26 million respectively. Both the revenue and profit before tax have decreased compared to the immediate preceding quarter.

18. Current Year Prospects

The Group is now kept busy with project execution having successfully secured 2 major projects towards the end of first quarter 2016. Nevertheless, the Group will continue to focus its procurement effort related to its core business in infrastructure related projects which are under the Government agendas that generates opportunities for the Group. The Sarawak Corridor of Renewable Energy (SCORE) initiative as well as the forces of industrialisation and urbanization provides further contract opportunities for HSL in the key SCORE growth node towns of Tanjung Manis, Mukah, Samalaju and the major cities of Sarawak. HSL foresees the property development segment with a variety of products will make greater impact on the business of HSL Group and is preparing for new launches in 2016 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 2016

20. Income Tax Expense

<i>In thousand of RM</i>	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30 June		30 June	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Current Tax Expense - Malaysian				
Current quarter/period	4,148	6,133	9,663	13,126
Over provision in prior year	-	-	-	-
Deferred Tax Expense - Malaysian				
Current quarter/period	(97)	(283)	(326)	(640)
Effect of tax rate change	-	-	-	-
(Over)/Under provision in prior year	-	-	-	-
Income tax expense	4,051	5,850	9,337	12,486

Reconciliation of effective tax expense

Profit for the quarter/period	12,081	17,048	28,336	36,673
Total income tax expense	4,051	5,850	9,337	12,486
Profit before taxation	16,132	22,898	37,673	49,159
Income tax using Malaysian tax rates	3,871	5,725	9,041	12,290
Non-deductible expenses	180	125	296	196
Effect of tax rate change	-	-	-	-
Over provision in prior year	-	-	-	-
Income tax expense	4,051	5,850	9,337	12,486

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

On 11 September 2015, the Company (HSL) had filed a Writ of Summons to the High Court Kuching against the relevant defendants namely Mr. Yii Chee Ming, Datuk Yii Chi Hau, Madam Yii Chee Ping and Madam Yii Chee Hiong.

On 9 March 2016, the Kuching High Court has struck out the action upon application by the defendants. The Board has sought advice from its legal counsel and the notice of appeal has been filed on 11 March 2016 in the Court of Appeal of Malaysia to reinstate the action. The hearing of the case has been fixed by the Court of Appeal of Malaysia on 18 August 2016.

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 2016, payable to the shareholders on 10 October 2016. The dividend entitlement date shall be 19 September 2016.

25. Earnings per Share

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30 June		30 June	
	2016	2015	2016	2015
Net profit attributable to ordinary owners of the Company (RM'000)	12,081	17,048	28,335	36,673
Weighted average number of ordinary shares ('000)	549,517	549,517	549,517	549,517
Basic earnings per share (sen)	2.20	3.10	5.16	6.67



QUARTERLY REPORT – Second Quarter Ended 30 June 2016

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	
	2016	2015	2016	2015
	RM,000	RM,000	RM,000	RM,000
Interest income from bank balances	724	391	1,439	1,056
Interest income from other financial assets	310	277	737	613
Other income including investment income	75	75	150	141
Interest expense on bank balances	-	1	-	7
Interest expense on other financial liabilities	96	90	197	189
Depreciation and amortization	2,703	2,632	5,319	5,283
Provision for and write off of receivables	-	-	-	-
Provision for and write off of inventories	-	-	-	-
Gain/(loss) on disposal of properties, plant and equipment	5	147	25	552
Gain/(loss) on disposal of investments	-	-	-	-
Impairment/(Reversal of impairment) of financial assets	45	18	92	(98)
Foreign exchange gain/(loss)	-	(2)	(5)	(2)
Gain/(loss) on derivatives	-	-	-	-
Exceptional item	-	-	-	-

27. Derivative Financial Instruments

There were no derivative financial instruments as at 30 June 2016.

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 2016.

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 2016	30 June 2015
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	612,760	559,364
- Unrealised	(14,816)	(16,083)
	597,944	543,281
Less : Consolidation adjustments	(265)	(273)
Total retained earnings as per consolidated financial statements	597,679	543,008

The determination of realised and unrealised profits or losses is based on the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 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 2015 in their report dated 31 March 2016.

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 18 August 2016.

Issue Date: 18 August 2016