



QUARTERLY REPORT – Third Quarter Ended 30 September 2016

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the quarter ended 30 September 2016

	CURRENT QUARTER		CUMULATIVE QUARTER	
	<i>3 months ended 30 September</i>		<i>9 months ended 30 September</i>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<i>In thousand of RM</i>				
Continuing operations				
Revenue	136,028	158,438	385,341	494,499
Cost of sales	(111,174)	(132,424)	(317,459)	(415,028)
Gross profit	24,854	26,014	67,882	79,471
Other income	51	225	296	1,035
Administrative expenses	(3,807)	(3,309)	(11,385)	(9,889)
Results from operating activities	21,098	22,930	56,793	70,617
Finance income	809	802	2,985	2,471
Finance expense	(90)	(73)	(288)	(269)
Net finance income	719	729	2,697	2,202
Profit before tax	21,817	23,659	59,490	72,819
Income tax expense	(5,459)	(5,808)	(14,796)	(18,295)
Profit for the period	16,358	17,851	44,694	54,524
Other comprehensive income, net of tax	-	-	-	-
Profit/Total comprehensive income for the period	16,358	17,851	44,694	54,524
Profit/Total comprehensive income attributable to:				
Owners of the Company	16,342	17,851	44,677	54,524
Non-controlling Interests	16	-	17	-
Profit/Total comprehensive income for the period	16,358	17,851	44,694	54,524
Earnings per share from continuing operations				
Basic earnings per ordinary share (sen)	2.97	3.25	8.13	9.92

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 – Third Quarter Ended 30 September 2016

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 September 2016

In thousand of RM

	30 September 2016 RM'000	31 December 2015 RM'000
ASSETS		
Property, plant and equipment	146,717	127,434
Investment properties	8,642	8,914
Land held for property development	163,166	185,775
Total non-current assets	318,525	322,123
Inventories	17,512	13,385
Property development costs	132,012	90,944
Trade and other receivables	249,903	286,133
Deposits and prepayments	5,452	7,086
Current tax refundable	5,954	-
Cash and bank balances	110,772	94,953
Total current assets	521,605	492,501
TOTAL ASSETS	840,130	814,624
EQUITY		
Share capital	116,535	116,535
Capital redemption reserves	2,165	2,165
Retained earnings	614,021	577,038
Treasury shares	(37,859)	(37,859)
Total equity attributable to owners of the Company	694,862	657,879
Non-controlling interests	3,017	-
TOTAL EQUITY	697,879	657,879
LIABILITIES		
Deferred tax liabilities	14,091	13,991
Total non-current liabilities	14,091	13,991
Trade and other payables	126,838	142,052
Current tax payable	495	702
Bank overdraft	827	-
Total current liabilities	128,160	142,754
TOTAL LIABILITIES	142,251	156,745
TOTAL EQUITY AND LIABILITIES	840,130	814,624
Net Assets Per Share Attributable to Ordinary Equity Owners (RM)	1.26	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 – Third Quarter Ended 30 September 2016

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the period ended 30 September 2016

<i>In thousand of RM</i>	Period ended 30 September	
	2016 RM'000	2015 RM'000
Cash flows from operating activities		
Profit before taxation from continuing operations	59,490	72,819
<i>Adjustments for:-</i>		
Non-cash items	7,473	7,531
Non-operating items	(2,077)	(2,175)
Operating profit before changes in working capital	64,886	78,175
Change in inventories	(4,127)	(850)
Change in property development costs	(12,506)	(20,287)
Change in trade and other receivables, deposits and prepayments	39,064	(16,243)
Change in trade and other payables	(15,723)	(47,078)
Cash generated from/(used in) operations	71,594	(6,283)
Overdraft interest paid	(1)	(8)
Interest received	2,006	1,713
Income taxes paid	(20,857)	(19,157)
Net cash generated from/(used in) operating activities	52,742	(23,735)
Cash flows from investing activities		
Subscription of shares in a new subsidiary by NCI	3,000	-
Acquisition of property, plant & equipment	(27,363)	(7,089)
Proceeds from disposal of property, plant & equipment	249	1,327
Acquisition of investment properties	-	(1,656)
Land held for property development	(5,943)	(8,964)
(Placement)/Withdrawal of FDs with original maturities exceeding three months	(2,961)	5,990
Net cash used in investing activities	(33,018)	(10,392)
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	12,031	(42,919)
Cash and cash equivalents at 1 January 2016 / 1 January 2015	94,606	143,077
Cash and cash equivalents at 30 September 2016 / 30 September 2015	106,637	100,158

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 September	
	2016 RM'000	2015 RM'000
Cash and bank balances	67,414	60,888
Deposits placed with licensed banks	43,358	39,616
Bank overdrafts	(827)	-
Total	109,945	100,504
Fixed deposits with original maturities exceeding three months	(3,308)	(346)
	106,637	100,158

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 – Third Quarter Ended 30 September 2016

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the period ended 30 September 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 September 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	-	-	-	44,677	44,677	17	44,694
Dividends to owners – 2015 final	-	-	-	(7,693)	(7,693)	-	(7,693)
Treasury shares, at cost	-	-	-	-	-	-	-
At 30 September 2016	116,535	2,165	(37,859)	614,021	694,862	3,017	697,879
Period ended 30 September 2015							
At 1 January 2015	116,535	2,165	(37,859)	515,127	595,968	-	595,968
Profit/Total comprehensive income for the period	-	-	-	54,524	54,524	-	54,524
Dividends to owners – 2014 final	-	-	-	(8,792)	(8,792)	-	(8,792)
Treasury shares, at cost	-	-	-	-	-	-	-
At 30 September 2015	116,535	2,165	(37,859)	560,859	641,700	-	641,700

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 – Third Quarter Ended 30 September 2016

NOTES TO THE INTERIM FINANCIAL REPORT

For the quarter ended 30 September 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 MFRS Framework for annual periods beginning on or after 1 January 2017. On 8 September 2015, MASB further announced that a Transitioning Entity shall apply the MFRS 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 September 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 – Third Quarter Ended 30 September 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 September 2016					
<i>In thousand of RM</i>					
Segment profit					
Revenue from external customers	336,817	48,524	-	-	385,341
Segment profit before tax, interest, depreciation and other material non-cash items	48,052	16,880	(17)	9	64,924
Depreciation	(7,797)	(17)	(317)	-	(8,131)
Interest income from bank balances	1,652	33	354	-	2,039
Interest income from other financial assets	946	-	-	-	946
Interest expense on bank balances	-	(1)	-	-	(1)
Interest expense on other financial liabilities	(287)	-	-	-	(287)
Segment profit before tax	42,566	16,895	20	9	59,490
Income tax expense					(14,796)
Profit for the period					44,694
Segment assets	539,723	254,343	46,325	(261)	840,130
Segment liabilities	128,278	14,260	(222)	(65)	142,251

	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 September 2015					
<i>In thousand of RM</i>					
Segment profit					
Revenue from external customers	477,125	17,374	-	-	494,499
Segment profit before tax, interest, depreciation and other material non-cash items	73,328	5,166	105	12	78,611
Depreciation	(7,648)	(29)	(317)	-	(7,994)
Interest income from bank balances	1,571	9	51	-	1,631
Interest income from other financial assets	841	(1)	-	-	840
Interest expense on bank balances	-	(8)	-	-	(8)
Interest expense on other financial liabilities	(261)	-	-	-	(261)
Segment profit before tax	67,831	5,137	(161)	12	72,819
Income tax expense					(18,295)
Profit for the period					54,524
Segment assets	476,461	282,601	46,066	(271)	804,857
Segment liabilities	146,100	31,636	(512)	(14,067)	163,157

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 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 – Third Quarter Ended 30 September 2016

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 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 September 2016 were as follows:-

<i>In thousand of RM</i>	___ 9 months ended 30 September ___	
	2016 RM'000	2015 RM'000
Acquisitions of property, plant and equipment, at cost	27,363	7,089
Disposals of property, plant and equipment, at carrying amount	212	891

13. Commitment

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

<i>In thousand of RM</i>	_____ As at 30 September _____	
	2016 RM'000	2015 RM'000
Acquisition of property, plant and equipment		
Approved and contracted for	12,013	11,031
Approved but not contracted for	34,297	59,970
	46,310	71,001

14. Recurrent Related Party Transactions

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

<i>In thousand of RM</i>	___ 9 months ended 30 September ___	
	2016 RM'000	2015 RM'000
Aggregate gross value of significant recurrent related party transactions	43,237	33,565

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>	___ 9 months ended 30 September ___	
	2016 RM'000	2015 RM'000
Directors' compensation	2,286	2,100
Other key management personnel compensation	2,439	2,433



QUARTERLY REPORT – Third Quarter Ended 30 September 2016

ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS

For the quarter ended 30 September 2016

16. Review of Performance

The Group derives revenue from construction and property development activities.

Revenue for the quarter under review is RM136.03 million, a decrease of 14% as compared to the preceding year corresponding quarter's figure of RM158.44 million. The construction segment contributed RM119.64 million (88%) whilst the property development segment registered a contribution of RM16.39 million (12%) to the Group's revenue during the quarter.

The net profit before tax of the Group for the current quarter is RM21.82 million, a decrease of 8% as compared to RM23.66 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 2016, the revenue and net profit before tax are RM119.64 million and RM16.40 million compared to the previous year's corresponding quarter figures of RM154.63 million and RM22.66 million respectively. The revenue for the current quarter has decreased by 23% as compared to the previous year's corresponding quarter while profit before tax has decreased by 28%. 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 September 2016, the revenue and net profit before tax increased to RM16.39 million and RM5.42 million from the previous year's corresponding quarter figures of RM3.81 million and RM1.00 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 RM21.82 million compared to RM16.13 million for the immediate preceding quarter on the back of the Group's revenue of RM136.03 million and RM107.05 million respectively. Both the revenue and profit before tax have improved compared to the immediate preceding quarter.

18. Current Year Prospects

While the Group is now kept busy with project execution having successfully secured 2 major projects towards the end of first quarter 2016, we will continue to bid for projects that are related to our core business in infrastructure related works. 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 and 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 – Third Quarter Ended 30 September 2016

20. Income Tax Expense

<i>In thousand of RM</i>	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30 September		30 September	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Current Tax Expense - Malaysian				
Current quarter/period	5,029	6,100	14,692	19,226
Under/(Over) provision in prior year	5	(186)	5	(186)
Deferred Tax Expense - Malaysian				
Current quarter/period	431	(94)	105	(733)
Effect of tax rate change	-	-	-	-
(Over)/Under provision in prior year	(6)	(12)	(6)	(12)
Income tax expense	5,459	5,808	14,796	18,295

Reconciliation of effective tax expense

Profit for the quarter/period	16,358	17,851	44,694	54,524
Total income tax expense	5,459	5,808	14,796	18,295
Profit before taxation	21,817	23,659	59,490	72,819
Income tax using Malaysian tax rates	5,235	5,915	14,276	18,205
Non-deductible expenses	225	91	521	288
Effect of tax rate change	-	-	-	-
Over provision in prior year	(1)	(198)	(1)	(198)
Income tax expense	5,459	5,808	14,796	18,295

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

The previous update was provided on 18 August 2016 whereby the Court of Appeal Malaysia has dismissed the appeal by the Company to reinstate the claim which has been struck out by the Kuching High Court earlier. Given the nature of the judgment which does not have any real impact to the Company, the Company had decided not to appeal against the said decision of the Court of Appeal as advised. As such, there is currently no pending litigation.

24. Dividend

The first interim single-tier tax exempt dividend of 5% per ordinary share for the year ending 31 December 2016 has been paid to shareholders on 10 October 2016.

25. Earnings per Share

	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30 September		30 September	
	2016	2015	2016	2015
Net profit attributable to ordinary owners of the Company (RM'000)	16,342	17,851	44,677	54,524
Weighted average number of ordinary shares ('000)	549,517	549,517	549,517	549,517
Basic earnings per share (sen)	2.97	3.25	8.13	9.92



QUARTERLY REPORT – Third Quarter Ended 30 September 2016

26. Profit before tax

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

	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30 September		30 September	
<i>In thousand of RM</i>	2016	2015	2016	2015
	RM,000	RM,000	RM,000	RM,000
Interest income from bank balances	600	575	2,039	1,631
Interest income from other financial assets	209	227	946	840
Other income including investment income	30	80	180	221
Interest expense on bank balances	1	1	1	8
Interest expense on other financial liabilities	90	71	287	261
Depreciation and amortization	2,812	2,711	8,131	7,994
Provision for and write off of receivables	-	-	-	-
Provision for and write off of inventories	-	-	-	-
Gain/(loss) on disposal of properties, plant and equipment	13	(9)	38	543
Gain/(loss) on disposal of investments	-	-	-	-
Impairment/(Reversal of impairment) of financial assets	(34)	(33)	58	(131)
Foreign exchange gain/(loss)	-	(1)	(5)	(3)
Gain/(loss) on derivatives	-	-	-	-
Exceptional item	-	-	-	-

27. Derivative Financial Instruments

There were no derivative financial instruments as at 30 September 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 September 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 September	30 September
	2016	2015
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	629,292	577,028
- Unrealised	(14,993)	(15,899)
	614,299	561,129
Less : Consolidation adjustments	(278)	(272)
Total retained earnings as per consolidated financial statements	614,021	560,857

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 24 November 2016.

Issue Date: 24 November 2016