



QUARTERLY REPORT – Second Quarter Ended 30 June 2019

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the quarter ended 30 June 2019

	CURRENT QUARTER		CUMULATIVE QUARTER	
	<i>3 months ended 30 June</i>		<i>6 months ended 30 June</i>	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<i>In thousands of RM</i>				
Continuing operations				
Revenue from contracts with customers	175,411	154,245	322,130	286,003
Cost of contracts with customers	(150,637)	(132,524)	(275,581)	(241,745)
Gross profit	24,774	21,721	46,549	44,258
Other income	(43)	-	46	134
Administrative expenses	(4,034)	(3,474)	(8,059)	(8,171)
Results from operating activities	20,697	18,247	38,536	36,221
Finance income	1,114	823	2,032	1,648
Finance costs	-	(218)	-	(480)
Net finance income	1,114	605	2,032	1,168
Profit before tax	21,811	18,852	40,568	37,389
Tax expense	(5,359)	(4,713)	(10,003)	(9,450)
Profit for the quarter/period	16,452	14,139	30,565	27,939
Other comprehensive income, net of tax	-	-	-	-
Profit and total comprehensive income for the quarter/period	16,452	14,139	30,565	27,939
Profit and total comprehensive income attributable to:				
Owners of the Company	16,432	14,118	30,520	27,895
Non-controlling Interest	20	21	45	44
Profit and total comprehensive income for the quarter/period	16,452	14,139	30,565	27,939
Earnings per share from continuing operations				
Basic/Diluted earnings per ordinary share (sen)	2.99	2.57	5.55	5.08

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 Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2018



QUARTERLY REPORT – Second Quarter Ended 30 June 2019

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2019

In thousands of RM

	30 June 2019 RM'000	31 December 2018 RM'000
ASSETS		
Property, plant and equipment	212,671	211,439
Investment properties	50,855	43,915
Inventories	181,456	190,120
Deferred tax assets	632	652
Total non-current assets	445,614	446,126
Inventories	188,022	186,840
Trade and other receivables	220,663	214,709
Contract assets	81,117	88,216
Deposits and prepayments	26,016	14,676
Current tax recoverable	1,629	5,335
Other investments	27,993	10,930
Cash and cash equivalents	94,488	143,569
Total current assets	639,928	664,275
TOTAL ASSETS	1,085,542	1,110,401
EQUITY		
Share capital	118,700	118,700
Retained earnings	717,923	695,096
Treasury shares	(37,859)	(37,859)
Total equity attributable to owners of the Company	798,764	775,937
Non-controlling interest	3,252	3,207
TOTAL EQUITY	802,016	779,144
LIABILITIES		
Loans and borrowings	56,766	51,536
Deferred tax liabilities	15,807	16,066
Total non-current liabilities	72,573	67,602
Loans and borrowings	4,379	42,628
Trade and other payables	130,751	156,121
Contract liabilities	73,694	64,884
Current tax payable	2,129	22
Total current liabilities	210,953	263,655
TOTAL LIABILITIES	283,526	331,257
TOTAL EQUITY AND LIABILITIES	1,085,542	1,110,401
Net Assets Per Share Attributable to Ordinary Equity Owners (RM)	1.45	1.41

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 2018



QUARTERLY REPORT – Second Quarter Ended 30 June 2019

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the period ended 30 June 2019

<i>In thousands of RM</i>	Period ended 30 June	
	2019 RM'000	2018 RM'000
Cash flows from operating activities		
Profit before taxation from continuing operations	40,568	37,389
<i>Adjustments for:-</i>		
Non-cash items	8,044	6,227
Non-operating items	501	(649)
Operating profit before changes in working capital	49,113	42,967
Change in inventories	7,468	(5,049)
Change in trade and other receivables, deposits and prepayments	71,980	88,958
Change in trade and other payables	(114,381)	(43,922)
Change in contract assets	7,099	31,722
Change in contract liabilities	8,810	(15,507)
Cash generated from/(used in) operations	30,089	99,169
Interest paid	(2,307)	-
Interest received	1,787	651
Income tax paid	(8,407)	(6,457)
Income tax refunded	3,979	-
Net cash generated from/(used in) operating activities	25,141	93,363
Cash flows from investing activities		
Acquisition of property, plant & equipment	(12,197)	(33,602)
Acquisition of investment properties	(4,782)	(7,367)
Proceeds from disposal of property, plant & equipment	532	108
Net movements of deposits with original maturities exceeding three months	(17,362)	(2,086)
Net cash used in investing activities	(33,809)	(42,947)
Cash flows from financing activities		
Dividends paid to owners of the Company	(7,693)	(7,693)
Net movements on loans and borrowings	(33,019)	22,931
Net cash (used in)/generated from financing activities	(40,712)	15,238
Net (decrease)/increase in cash and cash equivalents	(49,380)	65,654
Cash and cash equivalents at 1 January 2019 / 1 January 2018	143,869	63,263
Cash and cash equivalents at 30 June 2019 / 30 June 2018	94,489	128,917

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 thousands of RM</i>	Period ended 30 June	
	2019 RM'000	2018 RM'000
Cash and bank balances	60,519	126,397
Deposits placed with licensed banks	61,963	13,450
Bank overdraft	-	-
Total	122,482	139,847
Fixed deposits with original maturities exceeding three months	(27,993)	(10,930)
	94,489	128,917

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 2018



QUARTERLY REPORT – Second Quarter Ended 30 June 2019

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the period ended 30 June 2019

	----- Attributable to owners of the Company -----				NON- CONTROLLING INTEREST RM'000	TOTAL EQUITY RM'000
	SHARE CAPITAL RM'000	TREASURY SHARES RM'000	RETAINED EARNINGS RM'000	TOTAL RM'000		
<i>In thousands of RM</i>						
Period ended 30 June 2019						
At 1 January 2019	118,700	(37,859)	695,096	775,937	3,207	779,144
Profit and total comprehensive income for the period	-	-	30,520	30,520	45	30,565
Dividends to owners – 2018 Final	-	-	(7,693)	(7,693)	-	(7,693)
Treasury shares, at cost	-	-	-	-	-	-
At 30 June 2019	118,700	(37,859)	717,923	798,764	3,252	802,016
Period ended 30 June 2018						
At 1 January 2018, as restated	118,700	(37,859)	653,989	734,830	3,119	737,949
Profit and total comprehensive income for the period	-	-	27,895	27,895	44	27,939
Dividends to owners – 2017 Final	-	-	(7,693)	(7,693)	-	(7,693)
Treasury shares, at cost	-	-	-	-	-	-
At 30 June 2018	118,700	(37,859)	674,191	755,032	3,163	758,195

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 2018



QUARTERLY REPORT – Second Quarter Ended 30 June 2019

NOTES TO THE INTERIM FINANCIAL REPORT

For the quarter ended 30 June 2019

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 Malaysian Financial Reporting Standard (MFRS) 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 2018.

2. Significant accounting policies

These condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies applied in the 2018 financial statements except for the adoption of the new and revised MFRSs, IC Interpretations and Amendments that are applicable to the Group for the financial period beginning 1 January 2019. The adoption of these MFRSs, interpretations and amendments does not have any material impact on the financial statements of the Group.

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 2019, 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 2019

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 2019					
<i>In thousands of RM</i>					
Segment profit					
Revenue from external customers	277,061	45,069	-	-	322,130
Segment profit before tax, interest, depreciation and other material non-cash items	32,888	13,650	(58)	-	46,480
Depreciation and amortisation	(7,716)	(38)	(190)	-	(7,944)
Interest income from bank balances	1,950	54	28	-	2,032
Interest income from other financial assets	-	-	-	-	-
Interest expense on bank balances	-	-	-	-	-
Interest expense on other financial liabilities	-	-	-	-	-
Segment profit before tax	27,122	13,666	(220)	-	40,568
Income tax expense					(10,003)
Profit for the period					30,565
Segment assets	590,744	401,063	93,962	(227)	1,085,542
Segment liabilities	232,029	24,320	27,235	(58)	283,526

	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 2018					
<i>In thousands of RM</i>					
Segment profit					
Revenue from external customers	252,999	33,004	-	-	286,003
Segment profit before tax, interest, depreciation and other material non-cash items	32,179	10,996	(203)	6	42,978
Depreciation and amortisation	(6,525)	(17)	(215)	-	(6,757)
Interest income from bank balances	560	28	25	-	613
Interest income from other financial assets	1,035	-	-	-	1,035
Interest expense on bank balances	-	-	-	-	-
Interest expense on other financial liabilities	(480)	-	-	-	(480)
Segment profit before tax	26,769	11,007	(393)	6	37,389
Income tax expense					(9,450)
Profit for the period					27,939
Segment assets	595,298	354,681	57,634	(235)	1,007,378
Segment liabilities	207,308	31,639	10,295	(59)	249,183

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 1.4 sen per ordinary share totaling RM7,693,234 for the year ended 31 December 2018 was paid on 26 June 2019.

9. Subsequent Material Events

There were 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 2019

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 2019 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 2019 were as follows:-

<i>In thousands of RM</i>	<u>6 months ended 30 June</u>	
	2019	2018
	RM'000	RM'000
Acquisitions of property, plant and equipment, at cost	12,197	33,602
Disposals of property, plant and equipment, at carrying amount	<u>857</u>	<u>73</u>

13. Commitment

The amounts of commitment not provided for in the interim financial report as at 30 June 2019 were as follows:-

<i>In thousands of RM</i>	<u>As at 30 June</u>	
	2019	2018
	RM'000	RM'000
Property, plant and equipment		
Contracted but not provided for	16,446	17,057
Authorised but not contracted for	<u>1,303</u>	<u>2,518</u>
	<u>17,749</u>	<u>19,575</u>
Investment property		
Contracted but not provided for	10,456	13,488
Authorised but not contracted for	<u>550</u>	<u>1,528</u>
	<u>11,006</u>	<u>15,016</u>

14. Recurrent Related Party Transactions

The aggregate gross value of significant recurrent related party transactions for the period ended 30 June 2019 were as follows:-

<i>In thousands of RM</i>	<u>6 months ended 30 June</u>	
	2019	2018
	RM'000	RM'000
Aggregate gross value of significant recurrent related party transactions	<u>77,592</u>	<u>45,708</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 Yu Chee Hoe, Tony Yu Yuong Wee, 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 thousands of RM</i>	<u>6 months ended 30 June</u>	
	2019	2018
	RM'000	RM'000
Directors' compensation	1,661	1,796
Other key management personnel compensation	<u>1,960</u>	<u>1,894</u>



QUARTERLY REPORT – Second Quarter Ended 30 June 2019

ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS

For the quarter ended 30 June 2019

16. Review of Performance

The Group derives revenue from construction and property development activities.

Revenue for the quarter under review is RM175.41 million, an increase of 14% as compared to the preceding year corresponding quarter's figure of RM154.25 million. The construction segment contributed RM151.38 million (86%) whilst the property development segment registered a contribution of RM24.03 million (14%) to the Group's revenue during the quarter.

The net profit before tax of the Group for the current quarter is RM21.81 million, an increase of 16% as compared to RM18.85 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 2019, the revenue and net profit before tax are RM151.38 million and RM14.96 million compared to the previous year's corresponding quarter figures of RM138.69 million and RM13.33 million respectively. Higher construction activities have translated into higher revenue during the current quarter with some improvement to profit margin.

Property development segment: For the 3-month period ended 30 June 2019, the revenue and net profit before tax are RM24.03 million and RM6.85 million compared to the previous year's corresponding quarter figures of RM15.56 million and RM5.52 million respectively. Higher revenue was recorded during the current quarter due to the timing of recognition of sales while lower profit margin was due to discounts and some increase in construction cost.

17. Variation of Results against Immediate Preceding Quarter

The net profit before tax of the Group for the current quarter is RM21.81 million compared to RM18.76 million for the immediate preceding quarter on the back of the Group's revenue of RM175.41 million and RM146.72 million respectively.

18. Current Year Prospects

With a record order book of RM3.3 billion with some RM2.5 billion unbilled, the Group will be busy on its work execution. The Government of Sarawak had progressively rolled out several mega sized projects such as the Coastal Road and Trunk Road Projects as well as Water Works Projects. Having participated in a selected few, we are currently waiting for outcomes of the tender packages submitted. Apart from the RM299 million Batang Paloh Bridge Project (Package 3 of Coastal Road Project) which was secured in April 2019 and the RM104 million Sungei Bidut Project secured last week, we have added several smaller size projects in buildings and bridge construction in Sibul with a combined value of about RM50 million. Infrastructure development continues to offer new and further contracts opportunities for the Group.

Project procurement is undertaken in line with our prudent project management strategies, taking due consideration of the capacity, capabilities and competitive advantages of the Group. HSL foresees the property development segment, with a variety of products on offer, will continue to make an impact on the business of HSL Group in 2019 and beyond.

There has been an increase in construction activities which has been translated into higher revenue as compared to 2018 and such trend is expected to continue.

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 2019

20. Income Tax Expense

<i>In thousands of RM</i>	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30 June		30 June	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Current Tax Expense - Malaysian				
Current quarter/period	5,257	4,377	10,242	9,634
Under provision in prior year	-	-	-	-
Deferred Tax Expense - Malaysian				
Current quarter/period	102	336	(239)	(184)
Under/(Over) provision in prior year	-	-	-	-
Income tax expense	5,359	4,713	10,003	9,450

Reconciliation of effective tax expense

Profit for the quarter/period	16,452	14,139	30,565	27,939
Total income tax expense	5,359	4,713	10,003	9,450
Profit before taxation	21,811	18,852	40,568	37,389
Income tax using Malaysian tax rates	5,233	4,524	9,735	8,973
Non-deductible expenses	126	189	268	477
Under/(Over) provision in prior year	-	-	-	-
Income tax expense	5,359	4,713	10,003	9,450

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

The Group has loans and borrowings as at 30 June 2019 as follows:-

<i>In thousands of RM</i>	As at 30 June	
	2019	2018
	RM'000	RM'000
Non-current		
Term Loan – Secured	26,766	-
Term Loan – Unsecured	30,000	12,073
	<u>56,766</u>	<u>12,073</u>
Current		
Term Loan – Secured	118	-
Banker Acceptances – Unsecured	4,261	16,392
Revolving Credits – Unsecured	-	20,000
	<u>4,379</u>	<u>36,392</u>
Total	<u><u>61,145</u></u>	<u><u>48,465</u></u>

23. Material Litigation

There was no material litigation pending since 30 June 2019 till the date of this Quarterly Report.

24. Dividend

The Board of Directors has declared a first interim single-tier tax exempt dividend of 1 sen per ordinary share for the year ending 31 December 2019, payable to the shareholders on 10 October 2019. The dividend entitlement date shall be 19 September 2019.



QUARTERLY REPORT – Second Quarter Ended 30 June 2019

25. Earnings per ordinary share

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June		6 months ended 30 June	
	2019	2018	2019	2018
Net profit attributable to ordinary owners of the Company (RM'000)	16,432	14,118	30,520	27,895
Weighted average number of ordinary shares ('000)	549,517	549,517	549,517	549,517
Basic earnings per ordinary share (sen)	2.99	2.57	5.55	5.08

26. Profit before tax

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

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June		6 months ended 30 June	
	2019 RM,000	2018 RM,000	2019 RM,000	2018 RM,000
<i>In thousands of RM</i>				
Interest income from bank balances	1,114	324	2,031	613
Interest income from other financial assets	1	499	1	1,035
Other income including investment income	70	23	127	42
Interest expense on bank balances	1,115	640	2,307	1,189
Interest expense on other financial liabilities	-	218	-	481
Depreciation and amortisation	4,032	3,511	7,944	6,757
Provision for and write off of receivables	-	-	-	-
Provision for and write off of inventories	-	-	-	-
Gain/(loss) on disposal of property, plant and equipment	(240)	19	(225)	35
Gain/(loss) on disposal of investments	-	-	-	-
Impairment/(Reversal of impairment) of financial assets	-	(314)	-	10
Foreign exchange gain/(loss)	-	(25)	3	-
Gain/(loss) on derivatives	-	-	-	-
Exceptional item	-	-	-	-

27. Derivative Financial Instruments

There were no derivative financial instruments as at 30 June 2019.

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 2019.

29. 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 2018 in their report dated 29 March 2019.

30. 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 22 August 2019.

Issue Date: 22 August 2019