



QUARTERLY REPORT – Third Quarter Ended 30 September 2019

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the quarter ended 30 September 2019

	CURRENT QUARTER		CUMULATIVE QUARTER	
	3 months ended 30 September		9 months ended 30 September	
	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	173,842	173,291	495,972	459,294
Cost of contracts with customers	(151,156)	(149,958)	(426,737)	(391,703)
Gross profit	22,686	23,333	69,235	67,591
Other income	421	68	467	202
Administrative expenses	(4,383)	(4,714)	(12,442)	(12,884)
Results from operating activities	18,724	18,687	57,260	54,909
Finance income	1,105	982	3,137	2,630
Finance costs	-	(173)	-	(654)
Net finance income	1,105	809	3,137	1,976
Profit before tax	19,829	19,496	60,397	56,885
Tax expense	(5,259)	(5,163)	(15,262)	(14,612)
Profit for the quarter/period	14,570	14,333	45,135	42,273
Other comprehensive income, net of tax	-	-	-	-
Profit and total comprehensive income for the quarter/period	14,570	14,333	45,135	42,273
Profit and total comprehensive income attributable to:				
Owners of the Company	14,557	14,312	45,077	42,207
Non-controlling Interest	13	21	58	66
Profit and total comprehensive income for the quarter/period	14,570	14,333	45,135	42,273
Earnings per share from continuing operations				
Basic/Diluted earnings per ordinary share (sen)	2.65	2.60	8.20	7.68

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 – Third Quarter Ended 30 September 2019

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 September 2019

In thousands of RM

	30 September 2019 RM'000	31 December 2018 RM'000
ASSETS		
Property, plant and equipment	215,954	211,439
Investment properties	55,321	43,915
Inventories	181,550	190,120
Deferred tax assets	781	652
Total non-current assets	453,606	446,126
Inventories	178,245	186,840
Trade and other receivables	266,607	214,709
Contract assets	69,353	88,216
Deposits and prepayments	28,911	14,676
Current tax recoverable	2	5,335
Other investments	27,993	10,930
Cash and cash equivalents	105,897	143,569
Total current assets	677,008	664,275
TOTAL ASSETS	1,130,614	1,110,401
EQUITY		
Share capital	118,700	118,700
Retained earnings	732,480	695,096
Treasury shares	(37,859)	(37,859)
Total equity attributable to owners of the Company	813,321	775,937
Non-controlling interest	3,265	3,207
TOTAL EQUITY	816,586	779,144
LIABILITIES		
Loans and borrowings	48,306	51,536
Deferred tax liabilities	16,282	16,066
Total non-current liabilities	64,588	67,602
Loans and borrowings	11,694	42,628
Trade and other payables	121,252	156,121
Contract liabilities	112,105	64,884
Current tax payable	4,389	22
Total current liabilities	249,440	263,655
TOTAL LIABILITIES	314,028	331,257
TOTAL EQUITY AND LIABILITIES	1,130,614	1,110,401
Net Assets Per Share Attributable to Ordinary Equity Owners (RM)	1.48	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 – Third Quarter Ended 30 September 2019

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the period ended 30 September 2019

<i>In thousands of RM</i>	Period ended 30 September	
	2019 RM'000	2018 RM'000
Cash flows from operating activities		
Profit before taxation from continuing operations	60,397	56,885
<i>Adjustments for:-</i>		
Non-cash items	11,961	10,128
Non-operating items	(1,400)	(1,182)
Operating profit before changes in working capital	70,958	65,831
Change in inventories	17,149	(24,820)
Change in trade and other receivables, deposits and prepayments	23,039	1,240
Change in trade and other payables	(123,876)	15,081
Change in contract assets	18,863	
Change in contract liabilities	47,220	
Cash generated from/(used in) operations	53,353	57,332
Interest paid	(2,641)	-
Interest received	2,994	1,121
Income tax paid	(13,359)	(10,614)
Income tax refunded	7,885	-
Net cash generated from/(used in) operating activities	48,232	47,839
Cash flows from investing activities		
Acquisition of property, plant & equipment	(18,982)	(50,885)
Acquisition of investment properties	(8,909)	(9,960)
Proceeds from disposal of property, plant & equipment	906	5,386
Net movements of deposits with original maturities exceeding three months	(17,362)	(2,086)
Net cash used in investing activities	(44,347)	(57,545)
Cash flows from financing activities		
Dividends paid to owners of the Company	(7,693)	(7,693)
Net movements on loans and borrowings	(34,164)	21,034
Net cash (used in)/generated from financing activities	(41,857)	13,341
Net (decrease)/increase in cash and cash equivalents	(37,972)	3,635
Cash and cash equivalents at 1 January 2019 / 1 January 2018	143,869	63,263
Cash and cash equivalents at 30 September 2019 / 30 September 2018	105,897	66,898

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 September	
	2019 RM'000	2018 RM'000
Cash and bank balances	44,927	40,178
Deposits placed with licensed banks	88,963	37,650
Bank overdraft	-	-
Total	133,890	77,828
Fixed deposits with original maturities exceeding three months	(27,993)	(10,930)
	105,897	66,898

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 – Third Quarter Ended 30 September 2019

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the period ended 30 September 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 September 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	-	-	45,077	45,077	58	45,135
Dividends to owners – 2018 Final	-	-	(7,693)	(7,693)	-	(7,693)
Treasury shares, at cost	-	-	-	-	-	-
At 30 September 2019	118,700	(37,859)	732,480	813,321	3,265	816,586
Period ended 30 September 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	-	-	42,207	42,207	66	42,273
Dividends to owners – 2017 Final	-	-	(7,693)	(7,693)	-	(7,693)
Treasury shares, at cost	-	-	-	-	-	-
At 30 September 2018	118,700	(37,859)	688,503	769,344	3,185	772,529

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 – Third Quarter Ended 30 September 2019

NOTES TO THE INTERIM FINANCIAL REPORT

For the quarter ended 30 September 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 September 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 – Third Quarter Ended 30 September 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 September 2019					
<i>In thousands of RM</i>					
Segment profit					
<i>Revenue from external customers</i>	426,449	69,523	-	-	495,972
<i>Segment profit before tax, interest, depreciation and other material non-cash items</i>	47,489	21,664	(73)	-	69,080
<i>Depreciation and amortisation</i>	(11,474)	(60)	(286)	-	(11,820)
<i>Interest income from bank balances</i>	2,817	259	61	-	3,137
<i>Interest income from other financial assets</i>	-	-	-	-	-
<i>Interest expense on bank balances</i>	-	-	-	-	-
<i>Interest expense on other financial liabilities</i>	-	-	-	-	-
Segment profit before tax	38,832	21,863	(298)	-	60,397
<i>Income tax expense</i>					(15,262)
Profit for the period					45,135
Segment assets	620,736	410,301	99,804	(227)	1,130,614
Segment liabilities	252,699	28,223	33,164	(58)	314,028

	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 2018					
<i>In thousands of RM</i>					
Segment profit					
<i>Revenue from external customers</i>	403,169	56,125	-	-	459,294
<i>Segment profit before tax, interest, depreciation and other material non-cash items</i>	45,986	20,236	(813)	8	65,417
<i>Depreciation and amortisation</i>	(10,159)	(27)	(322)	-	(10,508)
<i>Interest income from bank balances</i>	1,154	40	33	-	1,227
<i>Interest income from other financial assets</i>	1,403	-	-	-	1,403
<i>Interest expense on bank balances</i>	-	-	-	-	-
<i>Interest expense on other financial liabilities</i>	(654)	-	-	-	(654)
Segment profit before tax	37,730	20,249	(1,102)	8	56,885
<i>Income tax expense</i>					(14,612)
Profit for the period					42,273
Segment assets	665,540	373,257	55,804	(234)	1,094,367
Segment liabilities	271,777	39,149	10,971	(59)	321,838

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 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 – Third Quarter Ended 30 September 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 September 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 September 2019 were as follows:-

<i>In thousands of RM</i>	<u>9 months ended 30 September</u>	
	2019	2018
	RM'000	RM'000
Acquisitions of property, plant and equipment, at cost	19,372	50,885
Disposals of property, plant and equipment, at carrying amount	<u>964</u>	<u>5,433</u>

13. Commitment

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

<i>In thousands of RM</i>	<u>As at 30 September</u>	
	2019	2018
	RM'000	RM'000
<i>Property, plant and equipment</i>		
Contracted but not provided for	16,509	14,438
Authorised but not contracted for	<u>1,299</u>	<u>7,142</u>
	<u>17,808</u>	<u>21,580</u>
<i>Investment property</i>		
Contracted but not provided for	7,345	14,912
Authorised but not contracted for	<u>550</u>	<u>3,313</u>
	<u>7,895</u>	<u>18,225</u>

14. Recurrent Related Party Transactions

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

<i>In thousands of RM</i>	<u>9 months ended 30 September</u>	
	2019	2018
	RM'000	RM'000
Aggregate gross value of significant recurrent related party transactions	<u>129,252</u>	<u>78,708</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>9 months ended 30 September</u>	
	2019	2018
	RM'000	RM'000
Directors' compensation	2,456	2,664
Other key management personnel compensation	<u>2,857</u>	<u>2,800</u>



QUARTERLY REPORT – Third Quarter Ended 30 September 2019

ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS

For the quarter ended 30 September 2019

16. Review of Performance

The Group derives revenue from construction and property development activities.

Revenue for the quarter under review is RM173.84 million as compared to the preceding year corresponding quarter's figure of RM173.29 million. The construction segment contributed RM149.39 million (86%) whilst the property development segment registered a contribution of RM24.45 million (14%) to the Group's revenue during the quarter.

The net profit before tax of the Group for the current quarter is RM19.83 million as compared to RM19.49 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 2019, the revenue and net profit before tax are RM149.39 million and RM11.72 million compared to the previous year's corresponding quarter figures of RM150.17 million and RM10.34 million respectively. Revenue remained the same during the current quarter with some improvement to profit margin.

Property development segment: For the 3-month period ended 30 September 2019, the revenue and net profit before tax are RM24.45 million and RM8.11 million compared to the previous year's corresponding quarter figures of RM23.12 million and RM9.15 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 RM19.83 million compared to RM21.81 million for the immediate preceding quarter on the back of the Group's revenue of RM173.84 million and RM175.41 million respectively.

18. Current Year Prospects

With a record order book of RM3.4 billion with some RM2.5 billion unbilled, the Group is busy on 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 of some of the packages submitted. The Sarawak budget for 2020 that was announced recently continued to give substantial allocation on infrastructure development that 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 strong revenue while margins remained stable.

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 2019

20. Income Tax Expense

<i>In thousands of RM</i>	Individual Quarter		Cumulative Quarter	
	3 months ended 30 September		9 months ended 30 September	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Current Tax Expense - Malaysian				
Current quarter/period	4,576	4,476	14,818	14,110
Under provision in prior year	357	-	357	-
Deferred Tax Expense - Malaysian				
Current quarter/period	326	687	87	502
Under/(Over) provision in prior year	-	-	-	-
Income tax expense	5,259	5,163	15,262	14,612

Reconciliation of effective tax expense

Profit for the quarter/period	14,570	14,333	45,135	42,273
Total income tax expense	5,259	5,163	15,262	14,612
Profit before taxation	19,829	19,496	60,397	56,885
Income tax using Malaysian tax rates	4,760	4,678	14,495	13,651
Non-deductible expenses	142	485	410	961
Under/(Over) provision in prior year	357	-	357	-
Income tax expense	5,259	5,163	15,262	14,612

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 September 2019 as follows:-

<i>In thousands of RM</i>	As at 30 September	
	2019	2018
	RM'000	RM'000
Non-current		
Term Loan – Secured	28,306	-
Term Loan – Unsecured	20,000	16,223
	<u>48,306</u>	<u>16,223</u>
Current		
Term Loan – Secured	1,694	-
Term Loan – Unsecured	10,000	-
Banker Acceptances – Unsecured	-	15,345
Revolving Credits – Unsecured	-	15,000
	<u>11,694</u>	<u>30,345</u>
Total	<u><u>60,000</u></u>	<u><u>48,568</u></u>

23. Material Litigation

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

24. Dividend

The first interim single-tier tax exempt dividend of one (1) sen per ordinary share for the year ending 31 December 2019 has been paid to shareholders on 10 October 2019.



QUARTERLY REPORT – Third Quarter Ended 30 September 2019

25. Earnings per ordinary share

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 September		9 months ended 30 September	
	2019	2018	2019	2018
Net profit attributable to ordinary owners of the Company (RM'000)	14,557	14,312	45,077	42,207
Weighted average number of ordinary shares ('000)	549,517	549,517	549,517	549,517
Basic earnings per ordinary share (sen)	2.65	2.60	8.20	7.68

26. Profit before tax

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

<i>In thousands of RM</i>	Individual Quarter		Cumulative Quarter	
	3 months ended 30 September		9 months ended 30 September	
	2019 RM,000	2018 RM,000	2019 RM,000	2018 RM,000
Interest income from bank balances	1,104	614	3,135	1,227
Interest income from other financial assets	1	368	2	1,403
Other income including investment income	69	31	196	73
Interest expense on bank balances	386	524	1,784	1,713
Interest expense on other financial liabilities	-	173	-	654
Depreciation and amortisation	3,913	3,751	11,857	11,508
Provision for and write off of receivables	-	-	-	-
Provision for and write off of inventories	-	-	-	-
Gain/(loss) on disposal of property, plant and equipment	272	(81)	47	(46)
Gain/(loss) on disposal of investments	-	-	-	-
Impairment/(Reversal of impairment) of financial assets	673	329	673	339
Foreign exchange gain/(loss)	-	51	3	51
Gain/(loss) on derivatives	-	-	-	-
Exceptional item	-	-	-	-

27. Derivative Financial Instruments

There were no derivative financial instruments as at 30 September 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 September 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 18 November 2019.

Issue Date: 18 November 2019