



QUARTERLY REPORT – Fourth Quarter Ended 31 December 2019

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the quarter ended 31 December 2019

	CURRENT QUARTER		CUMULATIVE QUARTER	
	<i>3 months ended 31 December</i>		<i>Year ended 31 December</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	187,634	151,061	683,606	610,356
Cost of contracts with customers	(169,160)	(128,713)	(595,897)	(520,417)
Gross profit	18,474	22,348	87,709	89,939
Other income	2	110	469	312
Administrative expenses	(4,910)	(7,509)	(17,352)	(20,393)
Results from operating activities	13,566	14,949	70,826	69,858
Finance income	1,348	598	4,485	3,228
Finance costs	(1,212)	(280)	(1,212)	(934)
Net finance income	136	318	3,273	2,294
Profit before tax	13,702	15,267	74,099	72,152
Tax expense	(3,559)	(3,700)	(18,821)	(18,313)
Profit for the quarter/year	10,143	11,567	55,278	53,839
Other comprehensive income, net of tax	-	-	-	-
Profit and total comprehensive income for the quarter/year	10,143	11,567	55,278	53,839
Profit and total comprehensive income attributable to:				
Owners of the Company	10,124	11,545	55,201	53,752
Non-controlling Interest	19	22	77	87
Profit and total comprehensive income for the quarter/year	10,143	11,567	55,278	53,839
Earnings per share from continuing operations				
Basic/Diluted earnings per ordinary share (sen)	1.85	2.10	10.05	9.78

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 – Fourth Quarter Ended 31 December 2019

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

In thousands of RM

	31 December 2019 RM'000	31 December 2018 RM'000
ASSETS		
Property, plant and equipment	216,397	211,439
Investment properties	58,883	43,915
Inventories	182,266	190,120
Deferred tax assets	1,042	652
Total non-current assets	458,588	446,126
Inventories	160,172	186,840
Trade and other receivables	183,193	214,709
Contract assets	127,926	88,216
Deposits and prepayments	24,961	14,676
Current tax recoverable	-	5,335
Other investments	27,993	10,930
Cash and cash equivalents	140,921	143,569
Total current assets	665,166	664,275
TOTAL ASSETS	1,123,754	1,110,401
EQUITY		
Share capital	118,700	118,700
Retained earnings	737,109	695,096
Treasury shares	(37,859)	(37,859)
Total equity attributable to owners of the Company	817,950	775,937
Non-controlling interest	3,284	3,207
TOTAL EQUITY	821,234	779,144
LIABILITIES		
Loans and borrowings	45,966	51,536
Trade and other payables	8	-
Deferred tax liabilities	16,335	16,066
Total non-current liabilities	62,309	67,602
Loans and borrowings	13,687	42,628
Trade and other payables	94,056	156,121
Contract liabilities	129,113	64,884
Current tax payable	3,355	22
Total current liabilities	240,211	263,655
TOTAL LIABILITIES	302,520	331,257
TOTAL EQUITY AND LIABILITIES	1,123,754	1,110,401
Net Assets Per Share Attributable to Ordinary Equity Owners (RM)	1.49	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 – Fourth Quarter Ended 31 December 2019

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended 31 December 2019

<i>In thousands of RM</i>	Year ended 31 December	
	2019 RM'000	2018 RM'000
Cash flows from operating activities		
Profit before taxation from continuing operations	74,099	72,152
<i>Adjustments for:-</i>		
Non-cash items	17,173	13,904
Non-operating items	(2,293)	928
Operating profit before changes in working capital	88,979	86,984
Change in inventories	35,792	(21,614)
Change in trade and other receivables, deposits and prepayments	73,362	(62,211)
Change in trade and other payables	(116,233)	14,373
Change in contract assets	(39,582)	89,797
Change in contract liabilities	64,101	18,487
Cash generated from/(used in) operations	106,419	125,816
Interest received	4,058	1,660
Interest paid	(2,162)	(2,519)
Income tax paid	(18,736)	(19,056)
Income tax refunded	8,462	-
Net cash generated from/(used in) operating activities	98,041	105,901
Cash flows from investing activities		
Acquisition of property, plant & equipment	(23,837)	(70,156)
Acquisition of investment properties	(13,041)	(14,200)
Proceeds from disposal of property, plant & equipment	951	5,405
Net movements of deposits with original maturities exceeding three months	(17,062)	(2,086)
Net cash used in investing activities	(52,989)	(81,037)
Cash flows from financing activities		
Dividends paid to owners of the Company	(13,188)	(13,188)
Net movements on loans and borrowings	(34,511)	68,630
Net cash (used in)/generated from financing activities	(47,699)	55,442
Net (decrease)/increase in cash and cash equivalents	(2,647)	80,306
Cash and cash equivalents at 1 January 2019 / 1 January 2018	143,569	63,263
Cash and cash equivalents at 31 December 2019 / 31 December 2018	140,922	143,569

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>	Year ended 31 December	
	2019 RM'000	2018 RM'000
Cash and bank balances	34,652	129,049
Deposits placed with licensed banks	134,263	25,450
Total	168,915	154,499
Fixed deposits with original maturities exceeding three months	(27,993)	(10,930)
	140,922	143,569

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 – Fourth Quarter Ended 31 December 2019

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 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>						
Year ended 31 December 2019						
At 1 January 2019	118,700	(37,859)	695,096	775,937	3,207	779,144
Profit and total comprehensive income for the year	-	-	55,201	55,201	77	55,278
Dividends to owners – 2018 Final	-	-	(7,693)	(7,693)	-	(7,693)
Dividends to owners – 2019 Interim	-	-	(5,495)	(5,495)	-	(5,495)
At 31 December 2019	118,700	(37,859)	737,109	817,950	3,284	821,234
Year ended 31 December 2018						
At 1 January 2018, as restated	118,700	(37,859)	654,532	735,373	3,120	738,493
Profit and total comprehensive income for the year	-	-	53,752	53,752	87	53,839
Dividends to owners – 2017 Final	-	-	(7,693)	(7,693)	-	(7,693)
Dividends to owners – 2018 Interim	-	-	(5,495)	(5,495)	-	(5,495)
At 31 December 2018	118,700	(37,859)	695,096	775,937	3,207	779,144

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 – Fourth Quarter Ended 31 December 2019

NOTES TO THE INTERIM FINANCIAL REPORT

For the quarter ended 31 December 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 31 December 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 – Fourth Quarter Ended 31 December 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 year ended 31 December 2019					
<i>In thousands of RM</i>					
Segment profit					
Revenue from external customers	591,123	92,322	161	-	683,606
Segment profit before tax, interest, depreciation and other material non-cash items	58,833	27,529	(54)	9	86,317
Depreciation and amortisation	(14,986)	(75)	(430)	-	(15,491)
Interest income from bank balances	3,836	475	73	-	4,384
Interest income from other financial assets	101	-	-	-	101
Interest expense on bank balances	-	-	-	-	-
Interest expense on other financial liabilities	(1,212)	-	-	-	(1,212)
Segment profit before tax	46,572	27,929	(411)	9	74,099
Income tax expense					(18,821)
Profit for the year					55,278
Segment assets	593,574	410,283	120,114	(217)	1,123,754
Segment liabilities	242,377	26,604	33,595	(56)	320,520

	Construction	Property Development	Other non-Reportable segment	Inter-Segment elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
For the year ended 31 December 2018					
<i>In thousands of RM</i>					
Segment profit					
Revenue from external customers	526,364	83,992	-	-	610,356
Segment profit before tax, interest, depreciation and other material non-cash items	55,204	29,688	(593)	14	84,313
Depreciation and amortisation	(13,897)	(128)	(430)	-	(14,455)
Interest income from bank balances	1,529	56	43	-	1,628
Interest income from other financial assets	1,600	-	-	-	1,600
Interest expense on bank balances	-	-	-	-	-
Interest expense on other financial liabilities	(796)	(138)	-	-	(934)
Segment profit before tax	43,640	29,478	(980)	14	72,152
Income tax expense					(18,313)
Profit for the year					53,839
Segment assets	673,353	366,438	70,837	(227)	1,110,401
Segment liabilities	302,482	24,484	4,348	(57)	331,257

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 first interim single-tier tax exempt dividend of 1.0 sen per ordinary share totaling RM5,495,172 for the year ending 31 December 2019 was paid to shareholders on 10 October 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 – Fourth Quarter Ended 31 December 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 31 December 2019 till the date of this quarterly report.

12. Property, plant and equipment

The acquisitions and disposals of property, plant and equipment for the year ended 31 December 2019 were as follows:-

<i>In thousands of RM</i>	<u>___ year ended 31 December ___</u>	
	2019	2018
	RM'000	RM'000
Acquisitions of property, plant and equipment, at cost	23,837	70,156
Disposals of property, plant and equipment, at carrying amount	<u>1,450</u>	<u>5,480</u>

13. Commitment

The amounts of commitment not provided for in the interim financial report as at 31 December 2019 were as follows:-

<i>In thousands of RM</i>	<u>As at 31 December</u>	
	2019	2018
	RM'000	RM'000
Property, plant and equipment		
Contracted but not provided for	9,503	18,234
Authorised but not contracted for	<u>1,049</u>	<u>2,096</u>
	<u>10,552</u>	<u>20,330</u>
Investment property		
Contracted but not provided for	3,843	16,409
Authorised but not contracted for	<u>184</u>	<u>1,504</u>
	<u>4,027</u>	<u>17,913</u>

14. Recurrent Related Party Transactions

The aggregate gross value of significant recurrent related party transactions for the year ended 31 December 2019 were as follows:-

<i>In thousands of RM</i>	<u>___ year ended 31 December ___</u>	
	2019	2018
	RM'000	RM'000
Aggregate gross value of significant recurrent related party transactions	<u>174,820</u>	<u>121,663</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>___ year ended 31 December ___</u>	
	2019	2018
	RM'000	RM'000
Directors' compensation	4,103	4,570
Other key management personnel compensation	<u>4,455</u>	<u>4,305</u>



QUARTERLY REPORT – Fourth Quarter Ended 31 December 2019

ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS

For the quarter ended 31 December 2019

16. Review of Performance

The Group derives revenue from construction and property development activities.

Revenue for the quarter under review is RM187.63 million as compared to the preceding year corresponding quarter's figure of RM151.06 million. The construction segment contributed RM164.67 million (88%) whilst the property development segment registered a contribution of RM22.80 million (12%) to the Group's revenue during the quarter.

The net profit before tax of the Group for the current quarter is RM13.70 million as compared to RM15.27 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 31 December 2019, the revenue and net profit before tax are RM164.67 million and RM7.73 million compared to the previous year's corresponding quarter figures of RM123.20 million and RM6.13 million respectively. Higher construction activities have translated into higher revenue during the current quarter.

Property development segment: For the 3-month period ended 31 December 2019, the revenue and net profit before tax are RM22.80 million and RM5.97 million compared to the previous year's corresponding quarter figures of RM27.86 million and RM9.14 million respectively. Lower 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 RM13.70 million compared to RM19.83 million for the immediate preceding quarter on the back of the Group's revenue of RM187.63 million and RM173.84 million respectively.

18. Current Year Prospects

The world and regional economic situation is looming with uncertainty with the on-going trade wars and the impact of the recent virus outbreak while the Malaysian economy growth is forecasted to slow down.

Nevertheless, with a record order book of RM3.3 billion with some RM2.2 billion unbilled, the Group is kept busy. 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 and these are on-going. Having participated in a selected few, we are currently waiting for outcomes of the tender of some of the packages submitted. Knowing that the value of order book is not in itself definitive of any company's success, the Group remains astute and prudent in our strategy to remain resilient in facing future challenges and uncertainty through good corporate governance, efficient work processes and a strong work ethics.

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 and in line with Government policies. There may be impact to construction cost due to the on-going national economic and political factors and HSL is taking steps to mitigate these unfavorable circumstances.

Property development segment, with a variety of products on offer, will continue to make an impact on the business of HSL Group and we will carry out selective launching of new projects in 2020.

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 – Fourth Quarter Ended 31 December 2019

20. Income Tax Expense

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December		year ended 31 December	
	2019	2018	2019	2018
<i>In thousands of RM</i>	RM'000	RM'000	RM'000	RM'000
Current Tax Expense - Malaysian				
Current quarter/year	3,767	3,595	18,585	17,706
Under/(Over) provision in prior year	-	(55)	357	(55)
Deferred Tax Expense - Malaysian				
Current quarter/year	260	160	347	662
Over provision in prior year	(468)	-	(468)	-
Income tax expense	3,559	3,700	18,821	18,313

Reconciliation of effective tax expense

Profit for the quarter/year	10,143	11,567	55,278	53,839
Total income tax expense	3,559	3,700	18,821	18,313
Profit before taxation	13,702	15,267	74,099	72,152
Income tax using Malaysian tax rates	3,286	3,663	17,781	17,314
Non-deductible expenses	741	92	1,151	1,054
Over provision in prior year	(468)	(55)	(111)	(55)
Income tax expense	3,559	3,700	18,821	18,313

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 31 December 2019 as follows:-

	As at 31 December	
	2019	2018
<i>In thousands of RM</i>	RM'000	RM'000
Non-current		
Term Loan – Secured	25,966	21,536
Term Loan – Unsecured	20,000	30,000
	<u>45,966</u>	<u>51,536</u>
Current		
Term Loan – Secured	3,687	-
Term Loan – Unsecured	10,000	-
Banker Acceptance – Unsecured	-	20,628
Revolving Credit – Unsecured	-	22,000
	<u>13,687</u>	<u>42,628</u>
Total	<u><u>59,653</u></u>	<u><u>94,164</u></u>

23. Material Litigation

There was no material litigation pending since 31 December 2019 till the date of this Quarterly Report.

24. Dividend

The directors have proposed a final single-tier tax exempt dividend of 1.4 sen per ordinary share for the financial year ended 31 December 2019 for the approval of the shareholders at the forthcoming Annual General Meeting. The entitlement date and payment date shall be announced at a later date.



QUARTERLY REPORT – Fourth Quarter Ended 31 December 2019

25. Earnings per ordinary share

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December		year months ended 31 December	
	2019	2018	2019	2018
Net profit attributable to ordinary owners of the Company (RM'000)	10,124	11,545	55,201	53,752
Weighted average number of ordinary shares ('000)	549,517	549,517	549,517	549,517
Basic earnings per ordinary share (sen)	1.85	2.10	10.05	9.78

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 31 December		year ended 31 December	
	2019 RM,000	2018 RM,000	2019 RM,000	2018 RM,000
Interest income from bank balances	1,248	401	4,384	1,628
Interest income from other financial assets	100	197	101	1,600
Other income including investment income	70	55	266	128
Interest expense on bank balances	378	806	2,162	2,519
Interest expense on other financial liabilities	1,212	280	1,212	934
Depreciation and amortisation	3,634	3,947	15,491	14,455
Provision for and write off of receivables	-	-	-	-
Provision for and write off of inventories	-	-	-	-
Gain/(loss) on disposal of property, plant and equipment	22	8	69	(38)
Gain/(loss) on disposal of investments	-	-	-	-
Impairment/(Reversal of impairment) of financial assets	(673)	(262)	-	77
Foreign exchange gain/(loss)	-	28	3	79
Gain/(loss) on derivatives	-	-	-	-
Exceptional item	-	-	-	-

27. Derivative Financial Instruments

There were no derivative financial instruments as at 31 December 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 year ended 31 December 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 27 February 2020.