



QUARTERLY REPORT – First Quarter Ended 31 March 2016

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the quarter ended 31 March 2016

	CURRENT QUARTER		CUMULATIVE QUARTER	
	<i>3 months ended 31 March</i>		<i>3 months ended 31 March</i>	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<i>In thousand of RM</i>				
Continuing operations				
Revenue	142,259	186,464	142,259	186,464
Cost of sales	(118,224)	(158,329)	(118,224)	(158,329)
Gross profit	24,035	28,135	24,035	28,135
Other income	155	562	155	562
Administrative expenses	(3,690)	(3,330)	(3,690)	(3,330)
Results from operating activities	20,500	25,367	20,500	25,367
Finance income	1,142	1,000	1,142	1,000
Finance expense	(101)	(105)	(101)	(105)
Net finance income	1,041	895	1,041	895
Profit before tax	21,541	26,262	21,541	26,262
Income tax expense	(5,286)	(6,636)	(5,286)	(6,636)
Profit for the period	16,255	19,626	16,255	19,626
Other comprehensive income, net of tax	-	-	-	-
Profit/Total comprehensive income for the period	16,255	19,626	16,255	19,626
Profit/Total comprehensive income attributable to Owners of the Company	16,255	19,626	16,255	19,626
Earnings per share from continuing operations				
Basic earnings per ordinary share (sen)	2.96	3.57	2.96	3.57

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 – First Quarter Ended 31 March 2016

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 March 2016

In thousand of RM

	31 March 2016 RM'000	31 December 2015 RM'000
ASSETS		
Property, plant and equipment	131,221	127,434
Investment properties	8,823	8,914
Land held for property development	158,876	185,775
Total non-current assets	298,920	322,123
Inventories	14,415	13,385
Property development costs	116,433	90,944
Trade and other receivables	251,166	286,133
Deposits and prepayments	4,962	7,086
Cash and bank balances	132,306	94,953
Total current assets	519,282	492,501
TOTAL ASSETS	818,202	814,624
EQUITY		
Share capital	116,535	116,535
Capital redemption reserves	2,165	2,165
Retained earnings	593,293	577,038
Treasury shares	(37,859)	(37,859)
Total equity attributable to owners of the Company	674,134	657,879
TOTAL EQUITY	674,134	657,879
LIABILITIES		
Deferred tax liabilities	13,762	13,991
Total non-current liabilities	13,762	13,991
Trade and other payables	130,843	142,052
Current tax payables	(537)	702
Total current liabilities	130,306	142,754
TOTAL LIABILITIES	144,068	156,745
TOTAL EQUITY AND LIABILITIES	818,202	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 – First Quarter Ended 31 March 2016

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the period ended 31 March 2016

<i>In thousand of RM</i>	Period ended 31 March	
	2016	2015
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation from continuing operations	21,541	26,262
<i>Adjustments for:-</i>		
Non-cash items	2,290	2,562
Non-operating items	(735)	(1,069)
Operating profit before changes in working capital	23,096	27,755
Change in inventories	(1,030)	(6,156)
Change in property development costs	3,066	(9,183)
Change in trade and other receivables, deposits and prepayments	37,734	(30,307)
Change in trade and other payables	(11,532)	(34,720)
Cash generated from/(used in) operations	51,334	(52,611)
Overdraft interest paid	-	(6)
Interest received	722	659
Income taxes paid	(6,754)	(6,530)
Net cash generated from/(used in) operating activities	45,302	(58,488)
Cash flows from investing activities		
Acquisition of property, plant & equipment	(6,367)	(4,229)
Proceeds from disposal of property, plant & equipment	72	411
Acquisition of investment properties	-	(568)
Land held for property development	(1,654)	(1,493)
Placement of fixed deposits with original maturities exceeding three months	(11)	(10)
Net cash used in investing activities	(7,960)	(5,889)
Cash flows from financing activities		
Dividends paid to owners of the Company	-	-
Net cash used in financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	37,342	(64,377)
Cash and cash equivalents at 1 January 2016 / 1 January 2015	94,606	143,077
Cash and cash equivalents at 31 March 2016 / 31 March 2015	131,948	78,700

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 31 March	
	2016	2015
	RM'000	RM'000
Cash and bank balances	95,878	45,009
Deposits placed with licensed banks	36,428	40,037
Total	132,306	85,046
Fixed deposits with original maturities exceeding three months	(358)	(6,346)
	131,948	78,700

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 Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31 December 2015



QUARTERLY REPORT – First Quarter Ended 31 March 2016

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the **period** ended 31 March 2016

	-----Attributable to owners of the Company-----				
	-----Non-distributable-----		-----Distributable-----		TOTAL
	SHARE CAPITAL	CAPITAL REDEMPTION RESERVES	TREASURY SHARES	RETAINED EARNINGS	
<i>In thousand of RM</i>	RM'000	RM'000	RM'000	RM'000	RM'000
Period ended 31 March 2016					
At 1 January 2016	116,535	2,165	(37,859)	577,038	657,879
Profit/Total comprehensive income for the period	-	-	-	16,255	16,255
Treasury shares, at cost	-	-	-	-	-
At 31 March 2016	116,535	2,165	(37,859)	593,293	674,134
Period ended 31 March 2015					
At 1 January 2015	116,535	2,165	(37,859)	515,127	595,968
Profit/Total comprehensive income for the period	-	-	-	19,626	19,626
Treasury shares, at cost	-	-	-	-	-
At 31 March 2015	116,535	2,165	(37,859)	534,753	615,594

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 – First Quarter Ended 31 March 2016

NOTES TO THE INTERIM FINANCIAL REPORT

For the quarter ended 31 March 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 31 March 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 – First Quarter Ended 31 March 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 31 March 2016					
<i>In thousand of RM</i>					
Segment profit					
<i>Revenue from external customers</i>	120,932	21,327	-	-	142,259
<i>Segment profit before tax, interest, depreciation and other material non-cash items</i>	15,079	8,051	(17)	3	23,116
Depreciation	(2,522)	(3)	(91)	-	(2,616)
Interest income from bank balances	554	14	147	-	715
Interest income from other financial assets	427	-	-	-	427
Interest expense on bank balances	-	-	-	-	-
Interest expense on other financial liabilities	(101)	-	-	-	(101)
Segment profit before tax	13,437	8,062	39	3	21,541
Income tax expense					(5,286)
Profit for the period					16,255
Segment assets	529,896	240,813	47,760	(267)	818,202
Segment liabilities	135,359	7,632	1,143	(66)	144,068

	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 31 March 2015					
<i>In thousand of RM</i>					
Segment profit					
<i>Revenue from external customers</i>	178,530	7,934	-	-	186,464
<i>Segment profit before tax, interest, depreciation and other material non-cash items</i>	25,726	2,288	(1)	5	28,018
Depreciation	(2,535)	(10)	(106)	-	(2,651)
Interest income from bank balances	639	4	22	-	665
Interest income from other financial assets	336	(1)	-	-	335
Interest expense on bank balances	-	(6)	-	-	(6)
Interest expense on other financial liabilities	(99)	-	-	-	(99)
Segment profit before tax	24,067	2,275	(85)	5	26,262
Income tax expense					(6,636)
Profit for the period					19,626
Segment assets	496,121	269,428	26,705	(277)	791,977
Segment liabilities	159,380	22,054	18	(5,069)	176,383

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 31 March 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 – First Quarter Ended 31 March 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 31 March 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 31 March 2016 were as follows:-

<i>In thousand of RM</i>	3 months ended 31 March	
	2016	2015
	RM'000	RM'000
Acquisitions of property, plant and equipment, at cost	6,367	4,229
Disposals of property, plant and equipment, at carrying amount	52	149

13. Commitment

The amount of commitment not provided for in the interim financial report as at 31 March 2016 were as follows:-

<i>In thousand of RM</i>	As at 31 March	
	2016	2015
	RM'000	RM'000
Acquisition of property, plant and equipment		
Approved and contracted for	7,652	64
Approved but not contracted for	57,263	75,000
	64,915	75,064

14. Recurrent Related Party Transactions

The aggregate gross value of significant recurrent related party transactions for the **period** ended 31 March 2016 were as follows:-

<i>In thousand of RM</i>	3 months ended 31 March	
	2016	2015
	RM'000	RM'000
Aggregate gross value of significant recurrent related party transactions	12,194	7,831

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 Yuing 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>	3 months ended 31 March	
	2016	2015
	RM'000	RM'000
Directors' compensation	701	700
Other key management personnel compensation	873	775



QUARTERLY REPORT – First Quarter Ended 31 March 2016

ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS

For the quarter ended 31 March 2016

16. Review of Performance

The Group derives revenue from construction and property development activities.

Revenue for the quarter under review is RM142.26 million, a decrease of 24% as compared to the preceding year corresponding quarter's figure of RM186.46 million. The construction segment contributed RM120.93 million (85%) whilst the property development segment registered a contribution of RM21.33 million (15%) to the Group's revenue during the quarter.

The net profit before tax of the Group for the current quarter is RM21.54 million, a decrease of 18% as compared to RM26.26 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 March 2016, the revenue and net profit before tax are RM120.93 million and RM13.57 million compared to the previous year's corresponding quarter figures of RM178.53 million and RM24.07 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% due to lower profit margins. 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 were still in start-up phase or were secured toward the end of the first quarter of 2016.

Property development segment: For the 3-month period ended 31 March 2016, the revenue and net profit before tax increased to RM21.33 million and RM7.97 million from the previous year's corresponding quarter figures of RM7.93 million and RM2.19 million respectively. Higher revenue during the current quarter due to the timing of recognition of sales including part of the high end gated and guarded residential project, *la Promenade* which was launched at the end of the 3rd quarter 2015.

17. Variation of Results against Immediate Preceding Quarter

The net profit before tax of the Group for the current quarter is RM21.54 million compared to RM28.42 million for the immediate preceding quarter on the back of the Group's revenue of RM142.26 million and RM160.24 million respectively. Both the revenue and profit before tax have decreased compared to the immediate preceding quarter.

18. Current Year Prospects

With a record value of project in hand of about RM2.7 billion, the Group will be kept busy on project execution. Nevertheless, the Group will continue to focus its procurement effort related to its core business in infrastructure related projects such as upgrading of infrastructure and utilities for Sarawak's rural communities which are Government agendas that produce 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 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 – First Quarter Ended 31 March 2016

20. Income Tax Expense

<i>In thousand of RM</i>	Individual Quarter 3 months ended 31 March		Cumulative Quarter 3 months ended 31 March	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Current Tax Expense - Malaysian				
Current quarter/period	5,515	6,993	5,515	6,993
Over provision in prior year	-	-	-	-
Deferred Tax Expense - Malaysian				
Current quarter/period	(229)	(357)	(229)	(357)
Effect of tax rate change	-	-	-	-
(Over)/Under provision in prior year	-	-	-	-
Income tax expense	5,286	6,636	5,286	6,636

Reconciliation of effective tax expense

Profit for the quarter/period	16,255	19,626	16,255	19,626
Total income tax expense	5,286	6,636	5,286	6,636
Profit before taxation	21,541	26,262	21,541	26,262
Income tax using Malaysian tax rates	5,170	6,565	5,170	6,565
Non-deductible expenses	116	71	116	71
Effect of tax rate change	-	-	-	-
Over provision in prior year	-	-	-	-
Income tax expense	5,286	6,636	5,286	6,636

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.

24. Dividend

The shareholders have approved the final single-tier exempt dividend of 7% (1.4 sen) per ordinary share for the financial year ended 31 December 2015 at the Annual General Meeting held on 19 May 2016. The entitlement date for the dividend shall be 9 June 2016 and the dividend shall be paid on 23 June 2016.

25. Earnings per Share

	Individual Quarter 3 months ended 31 March		Cumulative Quarter 3 months ended 31 March	
	2016	2015	2016	2015
Net profit attributable to ordinary owners of the Company (RM'000)	16,255	19,626	16,255	19,626
Weighted average number of ordinary shares ('000)	549,517	549,517	549,517	549,517
Basic earnings per share (sen)	2.96	3.57	2.96	3.57



QUARTERLY REPORT – First Quarter Ended 31 March 2016

26. Profit before tax

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

	Individual Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31 March		31 March	
<i>In thousand of RM</i>	2016	2015	2016	2015
	RM,000	RM,000	RM,000	RM,000
Interest income from bank balances	715	665	715	665
Interest income from other financial assets	427	335	427	335
Other income including investment income	75	66	75	66
Interest expense on bank balances	-	-	-	-
Interest expense on other financial liabilities	101	105	101	105
Depreciation and amortization	2,616	2,651	2,616	2,651
Provision for and write off of receivables	-	-	-	-
Provision for and write off of inventories	-	-	-	-
Gain/(loss) on disposal of properties, plant and equipment	20	405	20	405
Gain/(loss) on disposal of investments	-	-	-	-
Impairment/(Reversal of impairment) of financial assets	47	(116)	47	(116)
Foreign exchange gain/(loss)	(5)	-	(5)	-
Gain/(loss) on derivatives	-	-	-	-
Exceptional item	-	-	-	-

27. Derivative Financial Instruments

There were no derivative financial instruments as at 31 March 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 31 March 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
	31 March	31 March
	2016	2015
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	608,325	551,394
- Unrealised	(14,765)	(16,364)
	593,560	535,030
Less : Consolidation adjustments	(267)	(277)
Total retained earnings as per consolidated financial statements	593,293	534,753

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 19 May 2016.

Issue Date: 19 May 2016