



QUARTERLY REPORT – Second Quarter Ended 30 June 2013

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the quarter ended 30 June 2013

	CURRENT QUARTER		CUMULATIVE QUARTER	
	<i>3 months ended 30 June</i>		<i>6 months ended 30 June</i>	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<i>In thousand of RM</i>				
Continuing operations				
Revenue	140,369	151,716	275,453	290,915
Cost of sales	(108,832)	(119,938)	(216,152)	(230,901)
Gross profit	31,537	31,778	59,301	60,014
Other income	472	66	643	251
Administrative expenses	(3,123)	(3,417)	(6,289)	(7,054)
Results from operating activities	28,886	28,427	53,655	53,211
Finance income	1,464	1,647	2,922	3,251
Finance expense	(112)	(145)	(256)	(320)
Net finance income	1,352	1,502	2,666	2,931
Profit before tax	30,238	29,929	56,321	56,142
Income tax expense	(7,603)	(7,469)	(14,191)	(14,082)
Profit for the period	22,635	22,460	42,130	42,060
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the period	22,635	22,460	42,130	42,060
Profit attributable to:				
Owners of the Company	22,635	22,459	42,130	42,058
Non-controlling interests	-	1	-	2
Profit for the period	22,635	22,460	42,130	42,060
Total comprehensive income attributable to:				
Owners of the Company	22,635	22,459	42,130	42,060
Non-controlling interests	-	1	-	2
Total comprehensive income for the period	22,635	22,460	42,130	42,060
Earnings per share from continuing operations				
Basic earnings per ordinary share (sen)	4.08	4.05	7.60	7.59

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 2012



QUARTERLY REPORT – Second Quarter Ended 30 June 2013

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2013

In thousand of RM

	30 June 2013 RM'000	31 December 2012 RM'000
ASSETS		
Property, plant and equipment	118,765	113,906
Investment properties	4,543	4,565
Land held for property development	158,540	154,738
Total non-current assets	281,848	273,209
Inventories	16,249	17,034
Property development costs	37,157	38,313
Trade and other receivables	226,230	221,521
Deposits and other assets	12,655	8,161
Cash and bank balances	176,044	198,769
Total current assets	468,335	483,798
TOTAL ASSETS	750,183	757,007
EQUITY		
Share capital	116,535	116,535
Capital redemption reserves	2,165	2,165
Retained earnings	418,225	386,901
Treasury shares	(28,765)	(25,672)
Total equity attributable to owners of the Company	508,160	479,929
Non-controlling interests	-	-
TOTAL EQUITY	508,160	479,929
LIABILITIES		
Deferred tax liabilities	15,605	15,517
Total non-current liabilities	15,605	15,517
Trade and other payables	216,357	253,606
Current tax payables	10,061	7,955
Total current liabilities	226,418	261,561
TOTAL LIABILITIES	242,023	277,078
TOTAL EQUITY AND LIABILITIES	750,183	757,007
Net Assets Per Share Attributable to Ordinary Equity Owners (RM)	0.92	0.86

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 2012



QUARTERLY REPORT – Second Quarter Ended 30 June 2013

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the period ended 30 June 2013

<i>In thousand of RM</i>	Period ended 30 June	
	2013 RM'000	2012 RM'000
Cash flows from operating activities		
Profit before taxation from continuing operations	56,321	56,142
<i>Adjustments for:-</i>		
Non-cash items	4,638	4,180
Non-operating items	(3,058)	(2,896)
Operating profit before changes in working capital	57,901	57,426
Change in Inventories	785	(11,778)
Change in property development costs	1,403	3,589
Change in receivables, deposits and other financial assets	(8,936)	(6,186)
Change in payables	(37,509)	22,931
Cash generated from operations	13,644	65,982
Income taxes paid	(11,997)	(10,404)
Net cash from operating activities	1,647	55,578
Cash flows from investing activities		
Acquisition of property, plant & equipment	(9,543)	(4,789)
Proceeds from disposal of property, plant & equipment	476	125
Acquisition of investment property	(21)	(1,340)
Land held for property development	(4,041)	(29,517)
Interest received	2,655	2,795
Net cash used in investing activities	(10,474)	(32,726)
Cash flows from financing activities		
Purchase of treasury shares	(3,093)	(1,685)
Dividend paid to owners of the Company	(10,806)	(10,043)
Net cash used in financing activities	(13,899)	(11,728)
Net (decrease)/increase in cash and cash equivalents	(22,726)	11,124
Cash and cash equivalents at 1 January 2013 / 1 January 2012	198,769	183,720
Cash and cash equivalents at 30 June 2013 / 30 June 2012	176,043	194,844

Cash and cash equivalents

Cash and cash equivalents included in the condensed consolidated statements of cash flows comprise:

<i>In thousand of RM</i>	Period ended 30 June	
	2013 RM'000	2012 RM'000
Cash and bank balances	35,107	25,703
Deposits with licensed banks	140,936	169,141
	176,043	194,844

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 2012



QUARTERLY REPORT – Second Quarter Ended 30 June 2013

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the period ended 30 June 2013

	-----Attributable to owners of the Company-----						
	-----Non-distributable-----		-----Distributable-----				
	SHARE CAPITAL	CAPITAL REDEMPTION RESERVE	TREASURY SHARES	RETAINED EARNINGS	TOTAL	NON- CONTROLLING INTEREST	TOTAL EQUITY
<i>In thousand of RM</i>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Period ended 30 June 2013							
At 1 January 2013	116,535	2,165	(25,672)	386,901	479,929	-	479,929
Profit and total comprehensive income for the period	-	-	-	42,130	42,130	-	42,130
Dividends to owners							
- 2012 final	-	-	-	(8,312)	(8,312)	-	(8,312)
- 2012 special	-	-	-	(2,494)	(2,494)	-	(2,494)
Treasury shares, at cost	-	-	(3,093)	-	(3,093)	-	(3,093)
At 30 June 2013	116,535	2,165	(28,765)	418,225	508,160	-	508,160
Period ended 30 June 2012							
At 1 January 2012	116,535	2,165	(31,672)	322,222	409,250	206	409,456
Profit and total comprehensive income for the period	-	-	-	42,058	42,058	2	42,060
Dividends to owners							
- 2011 final	-	-	-	(7,533)	(7,533)	-	(7,533)
- 2011 special	-	-	-	(2,511)	(2,511)	-	(2,511)
Treasury shares, at cost	-	-	(1,685)	-	(1,685)	-	(1,685)
Share Dividends	-	-	10,131	(10,131)	-	-	-
At 30 June 2012	116,535	2,165	(23,226)	344,105	439,579	208	439,787

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 2012



QUARTERLY REPORT – Second Quarter Ended 30 June 2013

NOTES TO THE INTERIM FINANCIAL REPORT

For the quarter ended 30 June 2013

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. 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 2012.

2. Significant accounting policies

These condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies applied in the 2012 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 2013. The adoption of these FRSs, interpretations and amendments does not have any material impact on the financial statements of the Group.

MASB, in furtherance with its objective of converging the accounting framework for entities other than private entities in Malaysia with International Financial Reporting Standard (IFRS), announced on 19 November 2011 the issuance of Malaysian Financial Reporting Standards (MFRSs). Entities other than private entities shall apply the MFRSs framework for annual periods beginning on or after 1 January 2012, with the exception of entities subject to the application of MFRS 141, Agriculture and/or IC Interpretation 15, Agreements for the Construction of Real Estate. An entity subject to the application of MFRS 141 and/or IC Interpretation 15 may continue to apply FRSs as its financial reporting framework for annual reporting period beginning on or after 1 January 2012. On 30 June 2012, MASB announced its decision to allow entity subject to the application of MFRS 141 and/or IC Interpretation 15 to defer the adoption of the MFRS framework to annual period beginning on or after 1 January 2014. As such, the Group plans to adopt the MFRS framework for annual periods beginning on or after 1 January 2014.

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 year 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 repurchased 283,200 of its own shares from the open market at an average price of RM1.543 per share. The shares repurchased are retained as treasury shares and carried at cost.

As at 30 June 2013, the number of treasury shares held were 28,543,481 shares at a total cost of RM28,765,166 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 2013

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 2013					
<i>In thousand of RM</i>					
Segment profit					
Revenue from external customers	247,797	27,656	-	-	275,453
Segment profit before tax, interest, depreciation and other material non-cash items	48,608	9,552	(4)	22	58,178
Depreciation	(4,467)	(14)	(42)	-	(4,523)
Interest income from bank balances	2,616	70	34	-	2,720
Interest income from other financial assets	202	-	-	-	202
Interest expense on other financial liabilities	(256)	-	-	-	(256)
Segment profit before tax	46,703	9,608	(12)	22	56,321
Income tax expense					(14,191)
Profit for the period					42,130
Segment assets	484,481	250,111	15,906	(315)	750,183
Segment liabilities	229,498	12,587	17	(79)	242,023

	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 2012					
<i>In thousand of RM</i>					
Segment profit					
Revenue from external customers	277,220	13,695	-	-	290,915
Segment profit before tax, interest, depreciation and other material non-cash items	53,681	3,806	(2)	4	57,489
Depreciation	(4,249)	(29)	-	-	(4,278)
Interest income from bank balances	2,566	237	7	-	2,810
Interest income from other financial assets	441	-	-	-	441
Interest expense on other financial liabilities	(320)	-	-	-	(320)
Segment profit before tax	52,119	4,014	5	4	56,142
Income tax expense					(14,082)
Profit for the period					42,060
Segment assets	521,757	208,151	10,840	(346)	740,402
Segment liabilities	271,346	29,350	5	(86)	300,615

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 dividend of 10% per share less tax at 25% totaling RM8,311,992 and the special dividend of 3% per share less tax at 25% totaling RM2,493,597 for the year ended 31 December 2012 were paid on 18 June 2013.

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.

10. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter under review.



QUARTERLY REPORT – Second Quarter Ended 30 June 2013

11. Contingent Liabilities

There were no contingent liabilities in respect of the Group that have arisen since 30 June 2013 till the date of this quarterly report.

12. Property, plant and equipments

The acquisitions and disposals of property, plant and equipments for the period ended 30 June 2013 were as follows:-

<i>In thousand of RM</i>	<u>6 months ended 30 June</u>	
	<u>2013</u>	<u>2012</u>
	<u>RM'000</u>	<u>RM'000</u>
Acquisitions of property, plant and equipments, at cost	9,543	4,789
Disposals of property, plant and equipments, at carrying amount	<u>195</u>	<u>60</u>

13. Commitment

The amount of commitment not provided for in the interim financial report as at 30 June 2013 were as follows:-

<i>In thousand of RM</i>	<u>As at 30 June</u>	
	<u>2013</u>	<u>2012</u>
	<u>RM'000</u>	<u>RM'000</u>
Acquisition of property, plant and equipment		
Approved and contracted for	1,004	415
Approved but not contracted for	<u>75,400</u>	<u>400</u>
	<u>76,404</u>	<u>815</u>

14. Recurrent Related Party Transactions

The aggregate gross value of significant recurrent related party transactions for the period ended 30 June 2013 were as follows:-

<i>In thousand of RM</i>	<u>6 months ended 30 June</u>	
	<u>2013</u>	<u>2012</u>
	<u>RM'000</u>	<u>RM'000</u>
Aggregate gross value of significant recurrent related party transactions	<u>28,762</u>	<u>28,553</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:

- i) Yii Chi Hau, Yu Chee Hoe and Yii Chee Sing (Yu/Yii Brothers);
- ii) Lau Kiing Kang and Lau Kiing Yiing (brothers-in-law of the Yu/Yii Brothers); and
- iii) 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>	<u>6 months ended 30 June</u>	
	<u>2013</u>	<u>2012</u>
	<u>RM'000</u>	<u>RM'000</u>
Directors' compensation	1,547	1,609
Other key management personnel compensation	<u>1,658</u>	<u>1,698</u>



QUARTERLY REPORT – Second Quarter Ended 30 June 2013

ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA’S LISTING REQUIREMENTS

For the quarter ended 30 June 2013

16. Review of Performance

The Group derives revenue from construction and property development activities.

Revenue for the quarter under review is RM140.37 million compared to the preceding year corresponding quarter’s figure of RM151.72 million. The variance is mainly a timing issue as several major projects were at stages where revenue flows are reduced – either in their final stages or just starting-up. Meanwhile, the property development segment registered a higher contribution of RM19.9 million (14%) to Group revenue during the quarter due to the timing of the launching and sales of our Eden Fields 2 and ‘Bahamas’ Samariang Aman 2 residential development projects.

Net profit before tax of the Group for the current quarter is RM30.24 million compared to RM29.93 million for the preceding year’s corresponding quarter. The higher margin is mainly due to the RM7.3 million pre-tax earnings contribution from the property development segment which is substantially higher than the preceding year corresponding quarter’s figure of RM2.1 million.

17. Variation of Results against Immediate Preceding Quarter

The net profit before tax of the Group for the current quarter is RM30.24 million compared to RM26.08 million for the immediate preceding quarter on the back of the Group’s revenue of RM140.37 million and RM135.08 million respectively.

18. Current Year Prospects

The Group will continue to pursue projects that draw on its core strengths in infrastructure works especially those requiring marine engineering aspects. SCORE (Sarawak Corridor of Renewable Energy) which is a key driver of the Sarawak economy remains a significant source of projects for HSL. Meanwhile, the government’s efforts to improve amenities available to the rural communities while simultaneously upgrading urban centres in the state of Sarawak are initiatives which generate further opportunities for the Group. HSL’s property development sector has a series of residential, commercial and industrial property projects set for launching and this sector is expected to increase its contribution to Group bottom line.

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.

20. Income Tax Expense

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June		6 months ended 30 June	
	2013	2012	2013	2012
<i>In thousand of RM</i>	RM’000	RM’000	RM’000	RM’000
Current Tax Expense - Malaysian				
Current quarter/period	7,778	7,719	14,119	13,985
Over provision in prior year	(16)	(85)	(16)	(85)
Deferred Tax Expense - Malaysian				
Current quarter/period	(175)	(165)	72	182
Under provision in prior year	16	-	16	-
Income tax expense	7,603	7,469	14,191	14,082

Reconciliation of effective tax expense

Profit for the quarter/period	22,635	22,460	42,130	42,060
Total income tax expense	7,603	7,469	14,191	14,082
Profit before taxation	30,238	29,929	56,321	56,142
Income tax using Malaysian tax rates	7,559	7,482	14,080	14,035
Non-deductible expenses	44	72	111	132
Over provision in prior year	-	(85)	-	(85)
Income tax expense	7,603	7,469	14,191	14,082



QUARTERLY REPORT – Second Quarter Ended 30 June 2013

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

There was no material litigation pending since 30 June 2013 till the date of this quarterly report.

24. Dividend

The Board of Directors has declared a first interim ordinary dividend of 8% per share less tax at 25% for the year ending 31 December 2013, payable to the shareholders on 8 October 2013. The dividend entitlement date shall be 18 September 2013.

25. Earnings Per Share

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June		6 months ended 30 June	
	2013	2012	2013	2012
Net profit attributable to ordinary owners of the Company (RM'000)	22,635	22,459	42,130	42,058
Weighted average number of ordinary shares ('000)	554,227	554,199	554,658	554,340
Basic earnings per share (sen)	4.08	4.05	7.60	7.59

26. Profit before tax

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

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June		6 months ended 30 June	
<i>In thousand of RM</i>	2013 RM,000	2012 RM,000	2013 RM,000	2012 RM,000
Interest income from bank balances	1,381	1,442	2,720	2,810
Interest income from other financial assets	82	205	202	441
Other income including investment income	64	54	131	125
Interest expense on other financial liabilities	112	145	256	320
Depreciation and amortization	2,283	2,145	4,523	4,272
Provision for and write off of receivables	-	-	-	-
Provision for and write off of inventories	-	-	-	-
Gain/(loss) on disposal of properties, plant and equipment	286	-	337	83
Gain/(loss) on disposal of investments	-	-	-	-
Impairment/(Reversal of impairment) of financial assets	37	-	(17)	-
Foreign exchange gain/(loss)	(8)	4	39	29
Gain/(loss) on derivatives	-	-	-	-
Exceptional item	-	-	-	-

27. Derivative Financial Instruments

There were no derivative financial instruments as at 30 June 2013.

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 2013.



QUARTERLY REPORT – Second Quarter Ended 30 June 2013

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 June 2013	30 June 2012
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	435,038	361,166
- Unrealised	(16,498)	(16,707)
	418,540	344,459
Less : Consolidation adjustments	(315)	(354)
Total retained earnings as per consolidated financial statements	418,225	344,105

The determination of realised and unrealised profits is complied based on *Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements*, issued by the Malaysian Institute of Accountants.

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 2012 in their report dated 27 February 2013.

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 28 August 2013.

Issue Date: 28 August 2013