



**QUARTERLY REPORT – First Quarter Ended 31 March 2014**

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the quarter ended 31 March 2014

	CURRENT QUARTER		CUMULATIVE QUARTER	
	<i>3 months ended 31 March</i>		<i>3 months ended 31 March</i>	
	<b>2014 RM'000</b>	<b>2013 RM'000</b>	<b>2014 RM'000</b>	<b>2013 RM'000</b>
<i>In thousand of RM</i>				
<b>Continuing operations</b>				
<b>Revenue</b>	<b>116,025</b>	<b>135,085</b>	<b>116,025</b>	<b>135,085</b>
Cost of sales	(93,491)	(107,321)	(93,491)	(107,321)
<b>Gross profit</b>	<b>22,534</b>	<b>27,764</b>	<b>22,534</b>	<b>27,764</b>
Other income	1,618	171	1,618	171
Administrative expenses	(3,236)	(3,167)	(3,236)	(3,167)
<b>Results from operating activities</b>	<b>20,916</b>	<b>24,768</b>	<b>20,916</b>	<b>24,768</b>
Finance income	1,222	1,458	1,222	1,458
Finance expense	(104)	(143)	(104)	(143)
Net finance income	1,118	1,315	1,118	1,315
<b>Profit before tax</b>	<b>22,034</b>	<b>26,083</b>	<b>22,034</b>	<b>26,083</b>
Income tax expense	(5,634)	(6,588)	(5,634)	(6,588)
<b>Profit for the period</b>	<b>16,400</b>	<b>19,495</b>	<b>16,400</b>	<b>19,495</b>
<b>Other comprehensive income, net of tax</b>	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>16,400</b>	<b>19,495</b>	<b>16,400</b>	<b>19,495</b>
<b>Profit attributable to Owners of the Company:</b>				
	16,400	19,495	16,400	19,495
<b>Profit for the period</b>	<b>16,400</b>	<b>19,495</b>	<b>16,400</b>	<b>19,495</b>
<b>Total comprehensive income attributable to Owners of the Company:</b>				
	16,400	19,495	16,400	19,495
<b>Total comprehensive income for the period</b>	<b>16,400</b>	<b>19,495</b>	<b>16,400</b>	<b>19,495</b>
<b>Earnings per share from continuing operations</b>				
Basic earnings per ordinary share (sen)	2.97	3.51	2.97	3.51

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 2013



## QUARTERLY REPORT – First Quarter Ended 31 March 2014

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As at 31 March 2014

*In thousand of RM*

	<b>31 March 2014 RM'000</b>	<b>31 December 2013 RM'000</b>
<b>ASSETS</b>		
Property, plant and equipment	123,047	123,453
Investment properties	13,108	12,714
Land held for property development	175,597	172,113
<b>Total non-current assets</b>	<b>311,752</b>	<b>308,280</b>
Inventories	14,330	15,018
Property development costs	47,071	46,730
Trade and other receivables	197,629	231,312
Deposits and other assets	15,640	21,220
Cash and bank balances	154,612	157,791
<b>Total current assets</b>	<b>429,282</b>	<b>472,071</b>
<b>TOTAL ASSETS</b>	<b>741,034</b>	<b>780,351</b>
<b>EQUITY</b>		
Share capital	116,535	116,535
Capital redemption reserves	2,165	2,165
Retained earnings	471,091	454,691
Treasury shares	(37,511)	(36,370)
<b>Total equity attributable to owners of the Company</b>	<b>552,280</b>	<b>537,021</b>
<b>TOTAL EQUITY</b>	<b>552,280</b>	<b>537,021</b>
<b>LIABILITIES</b>		
Deferred tax liabilities	15,741	15,558
<b>Total non-current liabilities</b>	<b>15,741</b>	<b>15,558</b>
Trade and other payables	169,270	222,952
Current tax payables	3,743	4,820
<b>Total current liabilities</b>	<b>173,013</b>	<b>227,772</b>
<b>TOTAL LIABILITIES</b>	<b>188,754</b>	<b>243,330</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>741,034</b>	<b>780,351</b>
<b>Net Assets Per Share Attributable to Ordinary Equity Owners (RM)</b>	<b>1.00</b>	<b>0.98</b>

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 2013



**QUARTERLY REPORT – First Quarter Ended 31 March 2014**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the period ended 31 March 2014

<i>In thousand of RM</i>	Period ended 31 March	
	2014 RM'000	2013 RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation from continuing operations	22,034	26,083
<i>Adjustments for:-</i>		
Non-cash items	2,763	2,265
Non-operating items	(2,541)	(1,390)
<b>Operating profit before changes in working capital</b>	<b>22,256</b>	<b>26,958</b>
Change in inventories	688	1,243
Change in property development costs	(337)	(3,681)
Change in receivables, deposits and other financial assets	39,466	822
Change in payables	(53,787)	(24,418)
<b>Cash generated from operations</b>	<b>8,286</b>	<b>924</b>
Income taxes paid	(6,528)	(6,484)
<b>Net cash generated from/(used in) operating activities</b>	<b>1,758</b>	<b>(5,560)</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant & equipment	(2,711)	(4,896)
Proceeds from disposal of property, plant & equipment	1,877	55
Acquisition of investment property	(497)	-
Land held for property development	(3,484)	(1,816)
Interest received	1,020	1,350
<b>Net cash used in investing activities</b>	<b>(3,795)</b>	<b>(5,307)</b>
<b>Cash flows from financing activities</b>		
Purchase of treasury shares	(1,141)	(2,656)
Dividends paid to owners of the Company	-	-
<b>Net cash used in financing activities</b>	<b>(1,141)</b>	<b>(2,656)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(3,178)</b>	<b>(13,523)</b>
<b>Cash and cash equivalents at 1 January 2014 / 1 January 2013</b>	<b>157,790</b>	<b>198,769</b>
<b>Cash and cash equivalents at 31 March 2014 / 31 March 2013</b>	<b>154,612</b>	<b>185,246</b>

**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	
	2014 RM'000	2013 RM'000
<b>Cash and bank balances</b>	<b>59,466</b>	<b>52,810</b>
<b>Deposits placed with licensed banks</b>	<b>95,146</b>	<b>132,436</b>
	<b>154,612</b>	<b>185,246</b>

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 2013



**QUARTERLY REPORT – First Quarter Ended 31 March 2014**

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

For the period ended 31 March 2014

	-----Attributable to owners of the Company-----						
	-----Non-distributable-----		-----Distributable-----				
	SHARE CAPITAL	CAPITAL REDEMPTION RESERVES	TREASURY SHARES	RETAINED EARNINGS	TOTAL	NON- CONTROLLING INTERESTS	TOTAL EQUITY
<i>In thousand of RM</i>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Period ended 31 March 2014</b>							
At 1 January 2014	116,535	2,165	(36,370)	454,691	537,021	-	537,021
Profit and total comprehensive income for the period	-	-	-	16,400	16,400	-	16,400
Treasury shares, at cost	-	-	(1,141)	-	(1,141)	-	(1,141)
<b>At 31 March 2014</b>	<b>116,535</b>	<b>2,165</b>	<b>(37,511)</b>	<b>471,091</b>	<b>552,280</b>	<b>-</b>	<b>552,280</b>
<b>Period ended 31 March 2013</b>							
At 1 January 2013	116,535	2,165	(25,672)	386,901	479,929	-	479,929
Profit and total comprehensive income for the period	-	-	-	19,495	19,495	-	19,495
Treasury shares, at cost	-	-	(2,656)	-	(2,656)	-	(2,656)
<b>At 31 March 2013</b>	<b>116,535</b>	<b>2,165</b>	<b>(28,328)</b>	<b>406,396</b>	<b>496,768</b>	<b>-</b>	<b>496,768</b>

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 2013



---

QUARTERLY REPORT – First Quarter Ended 31 March 2014

---

**NOTES TO THE INTERIM FINANCIAL REPORT**

For the quarter ended 31 March 2014

**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 2013.

**2. Significant accounting policies**

These condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies applied in the 2013 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 2014. 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.

**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 647,300 of its own shares from the open market at an average price of RM1.763 per share. The shares repurchased are retained as treasury shares and carried at cost.

As at 31 March 2014, the number of treasury shares held were 32,966,781 shares at a total cost of RM37,511,363 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 2014**

**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

	<b>Construction</b>	<b>Property Development</b>	<b>Other non-Reportable segment</b>	<b>Inter-Segment elimination</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>For the period ended 31 March 2014</b>					
<i>In thousand of RM</i>					
<b>Segment profit</b>					
Revenue from external customers	107,852	8,174	-	-	116,026
Segment profit before tax, interest, depreciation and other material non-cash items	20,844	2,575	-	11	23,430
Depreciation	(2,402)	(8)	(104)	-	(2,514)
Interest income from bank balances	996	28	15	-	1,039
Interest income from other financial assets	182	1	-	-	183
Interest expense on other financial liabilities	(104)	-	-	-	(104)
<b>Segment profit before tax</b>	<b>19,516</b>	<b>2,596</b>	<b>(89)</b>	<b>11</b>	<b>22,034</b>
Income tax expense					(5,634)
<b>Profit for the period</b>					<b>16,400</b>
<b>Segment assets</b>	469,360	247,892	24,080	(298)	741,034
<b>Segment liabilities</b>	178,062	10,754	12	(74)	188,754

	<b>Construction</b>	<b>Property Development</b>	<b>Other non-Reportable segment</b>	<b>Inter-Segment elimination</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>For the period ended 31 March 2013</b>					
<i>In thousand of RM</i>					
<b>Segment profit</b>					
Revenue from external customers	127,366	7,719	-	-	135,085
Segment profit before tax, interest, depreciation and other material non-cash items	24,705	2,294	(1)	10	27,008
Depreciation	(2,212)	(7)	(21)	-	(2,240)
Interest income from bank balances	1,314	8	17	-	1,339
Interest income from other financial assets	119	-	-	-	119
Interest expense on other financial liabilities	(143)	-	-	-	(143)
<b>Segment profit before tax</b>	<b>23,783</b>	<b>2,295</b>	<b>(5)</b>	<b>10</b>	<b>26,083</b>
Income tax expense					(6,588)
<b>Profit for the period</b>					<b>19,495</b>
<b>Segment assets</b>	507,021	227,069	15,911	(326)	749,675
<b>Segment liabilities</b>	227,865	25,112	11	(81)	252,907

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 2014.

**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 – First Quarter Ended 31 March 2014**

**11. Contingent Liabilities**

There were no contingent liabilities in respect of the Group that have arisen since 31 March 2014 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 2014 were as follows:-

<i>In thousand of RM</i>	<u>3 months ended 31 March</u>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Acquisitions of property, plant and equipment, at cost	2,711	4,896
Disposals of property, plant and equipment, at carrying amount	<u>703</u>	<u>5</u>

**13. Commitment**

The amount of commitment not provided for in the interim financial report as at 31 March 2014 were as follows:-

<i>In thousand of RM</i>	<u>As at 31 March</u>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Acquisition of property, plant and equipment		
Approved and contracted for	855	1,429
Approved but not contracted for	<u>75,800</u>	<u>400</u>
	<u>76,655</u>	<u>1,829</u>

**14. Recurrent Related Party Transactions**

The aggregate gross value of significant recurrent related party transactions for the period ended 31 March 2014 were as follows:-

<i>In thousand of RM</i>	<u>3 months ended 31 March</u>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Aggregate gross value of significant recurrent related party transactions	<u>14,452</u>	<u>11,977</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>3 months ended 31 March</u>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Directors' compensation	793	774
Other key management personnel compensation	<u>821</u>	<u>816</u>



---

**QUARTERLY REPORT – First Quarter Ended 31 March 2014**

---

**ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS**

For the quarter ended 31 March 2014

**16. Review of Performance**

The Group derives revenue from construction and property development activities.

Revenue for the quarter under review is RM116.03 million compared to the preceding year corresponding quarter's figure of RM135.08 million while the net profit before tax for the current quarter is RM22.03 million compared to RM26.08 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 period ended 31 March 2014, the revenue and net profit before tax decreased to RM107.85 million and RM19.52 million from the previous year corresponding quarter's figures of RM127.37 million and RM23.79 million respectively. This was mainly due to lower progress claims of construction works due to timing and nature of the contracts during the quarter.

Property development segment: For the period ended 31 March 2014, the revenue and net profit before tax increased to RM8.17 million and RM2.51 million from the previous year corresponding quarter's figures of RM7.72 million and RM2.29 million respectively. This was mainly attributable to the higher sales of new properties launched.

**17. Variation of Results against Immediate Preceding Quarter**

The net profit before tax of the Group for the current quarter is RM22.03 million compared to RM29.68 million for the immediate preceding quarter on the back of the Group's revenue of RM116.03 million and RM142.88 million respectively.

**18. Current Year Prospects**

Sarawak is a vibrant state with domestic economic growth forecast of 5% for 2014. The Group will continue to pursue projects that draw on its core strengths in infrastructure works especially those requiring marine engineering aspects. Activities in the SCORE (Sarawak Corridor of Renewable Energy) region will remain a significant source of new construction contracts. Meanwhile, the government's efforts to improve the State's infrastructure and amenities available to the rural communities are initiatives which generate further opportunities for the Group. HSL's property development segment has launched a few residential developments in 2013 and will have a range of products to launch including residential, commercial and industrial development in 2014.

**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 2014**

**20. Income Tax Expense**

<i>In thousand of RM</i>	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 months ended</b>		<b>3 months ended</b>	
	<b>31 March</b>		<b>31 March</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Current Tax Expense - Malaysian				
Current quarter/period	5,451	6,341	5,451	6,341
Deferred Tax Expense - Malaysian				
Current quarter/period	183	247	183	247
<b>Income tax expense</b>	<b>5,634</b>	<b>6,588</b>	<b>5,634</b>	<b>6,588</b>

**Reconciliation of effective tax expense**

Profit for the quarter/period	16,400	19,495	16,400	19,495
Total income tax expense	5,634	6,588	5,634	6,588
Profit before taxation	22,034	26,083	22,034	26,083
Income tax using Malaysian tax rates	5,508	6,521	5,508	6,521
Non-deductible expenses	126	67	126	67
<b>Income tax expense</b>	<b>5,634</b>	<b>6,588</b>	<b>5,634</b>	<b>6,588</b>

**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 31 March 2014 till the date of this quarterly report.

**24. Dividend**

The shareholders have approved the final ordinary single-tier exempt dividend of 9% (1.8 sen) per share for the financial year ended 31 December 2013 at the Annual General Meeting held on 22 May 2014. The entitlement date for the dividend shall be 9 June 2014 and the dividend shall be paid on 23 June 2014.

**25. Earnings per Share**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 months ended</b>		<b>3 months ended</b>	
	<b>31 March</b>		<b>31 March</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Net profit attributable to ordinary owners of the Company (RM'000)	16,400	19,495	16,400	19,495
Weighted average number of ordinary shares ('000)	552,623	554,847	552,623	554,847
Basic earnings per share (sen)	2.97	3.51	2.97	3.51



**QUARTERLY REPORT – First Quarter Ended 31 March 2014**

**26. Profit before tax**

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

<i>In thousand of RM</i>	Individual Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31 March		31 March	
	2014	2013	2014	2013
	RM,000	RM,000	RM,000	RM,000
Interest income from bank balances	1,039	1,339	1,039	1,339
Interest income from other financial assets	183	119	183	119
Other income including investment income	65	67	65	67
Interest expense on other financial liabilities	104	143	104	143
Depreciation and amortization	2,514	2,240	2,514	2,240
Provision for and write off of receivables	-	-	-	-
Provision for and write off of inventories	-	-	-	-
Gain/(loss) on disposal of properties, plant and equipment	1,500	51	1,500	51
Gain/(loss) on disposal of investments	-	-	-	-
Impairment/(Reversal of impairment) of financial assets	(435)	(54)	(435)	(54)
Foreign exchange gain/(loss)	-	47	-	47
Gain/(loss) on derivatives	-	-	-	-
Exceptional item	-	-	-	-

**27. Derivative Financial Instruments**

There were no derivative financial instruments as at 31 March 2014.

**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 2014.

**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
	2014	2013
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	488,105	423,155
- Unrealised	(16,716)	(16,433)
	471,389	406,722
Less : Consolidation adjustments	(298)	(326)
Total retained earnings as per consolidated financial statements	471,091	406,396

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 2013 in their report dated 31 March 2014.

**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 22 May 2014.

Issue Date: 22 May 2014