



 QUARTERLY REPORT – Third Quarter Ended 30 September 2015

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the quarter ended 30 September 2015

	CURRENT QUARTER		CUMULATIVE QUARTER	
	<i>3 months ended 30 September</i>		<i>9 months ended 30 September</i>	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<i>In thousand of RM</i>				
Continuing operations				
Revenue	158,438	155,361	494,499	411,601
Cost of sales	(132,424)	(124,726)	(415,028)	(332,421)
Gross profit	26,014	30,635	79,471	79,180
Other income	225	153	1,035	2,900
Administrative expenses	(3,309)	(3,100)	(9,889)	(9,086)
Results from operating activities	22,930	27,688	70,617	72,994
Finance income	802	1,035	2,471	3,364
Finance expense	(73)	(63)	(269)	(256)
Net finance income	729	972	2,202	3,108
Profit before tax	23,659	28,660	72,819	76,102
Income tax expense	(5,808)	(7,269)	(18,295)	(19,339)
Profit for the period	17,851	21,391	54,524	56,763
Other comprehensive income, net of tax	-	-	-	-
Profit/Total comprehensive income for the period	17,851	21,391	54,524	56,763
Profit/Total comprehensive income attributable to Owners of the Company	17,851	21,391	54,524	56,763
Earnings per share from continuing operations				
Basic earnings per ordinary share (sen)	3.25	3.89	9.92	10.32

The notes set out on pages 5 to 11 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 2014



QUARTERLY REPORT – Third Quarter Ended 30 September 2015

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 September 2015

In thousand of RM

	30 September 2015 RM'000	31 December 2014 RM'000
ASSETS		
Property, plant and equipment	118,780	120,266
Investment properties	15,520	14,182
Land held for property development	182,968	174,004
Total non-current assets	317,268	308,452
Inventories	14,154	13,303
Property development costs	87,770	67,476
Trade and other receivables	278,606	264,119
Deposits and other assets	6,555	4,103
Cash and bank balances	100,504	149,413
Total current assets	487,589	498,414
TOTAL ASSETS	804,857	806,866
EQUITY		
Share capital	116,535	116,535
Capital redemption reserves	2,165	2,165
Retained earnings	560,859	515,127
Treasury shares	(37,859)	(37,859)
Total equity attributable to owners of the Company	641,700	595,968
TOTAL EQUITY	641,700	595,968
LIABILITIES		
Deferred tax liabilities	14,740	15,486
Total non-current liabilities	14,740	15,486
Trade and other payables	145,700	192,578
Current tax payables	2,717	2,834
Total current liabilities	148,417	195,412
TOTAL LIABILITIES	163,157	210,898
TOTAL EQUITY AND LIABILITIES	804,857	806,866
Net Assets Per Share Attributable to Ordinary Equity Owners (RM)	1.17	1.08

The notes set out on pages 5 to 11 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 2014



QUARTERLY REPORT – Third Quarter Ended 30 September 2015

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the period ended 30 September 2015

<i>In thousand of RM</i>	Period ended 30 September	
	2015 RM'000	2014 RM'000
Cash flows from operating activities		
Profit before taxation from continuing operations	72,819	76,102
<i>Adjustments for:-</i>		
Non-cash items	7,531	7,824
Non-operating items	(2,175)	(5,475)
Operating profit before changes in working capital	78,175	78,451
Change in inventories	(850)	1,837
Change in property development costs	(20,287)	(8,175)
Change in receivables, deposits and other financial assets	(16,243)	3,635
Change in payables	(47,078)	(65,856)
Cash (used in)/generated from operations	(6,283)	9,892
Overdraft interest paid	(8)	(1)
Income taxes paid	(19,157)	(19,917)
Net cash used in operating activities	(25,448)	(10,026)
Cash flows from investing activities		
Acquisition of property, plant & equipment	(7,089)	(6,013)
Proceeds from disposal of property, plant & equipment	1,327	5,385
Acquisition of investment properties	(1,656)	(497)
Land held for property development	(8,964)	(9,165)
Interest received	1,713	2,890
Net cash used in investing activities	(14,669)	(7,400)
Cash flows from financing activities		
Purchase of treasury shares	-	(1,141)
Dividends paid to owners of the Company	(8,792)	(9,895)
Net cash used in financing activities	(8,792)	(11,036)
Net decrease in cash and cash equivalents	(48,909)	(28,462)
Cash and cash equivalents at 1 January 2015 / 1 January 2014	149,413	157,791
Cash and cash equivalents at 30 September 2015 / 30 September 2014	100,504	129,329

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 30 September	
	2015 RM'000	2014 RM'000
Cash and bank balances	60,888	45,563
Deposits placed with licensed banks	39,616	83,766
	100,504	129,329

The notes set out on pages 5 to 11 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 2014



QUARTERLY REPORT – Third Quarter Ended 30 September 2015

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the period ended 30 September 2015

	-----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 30 September 2015					
At 1 January 2015	116,535	2,165	(37,859)	515,127	595,968
Profit/Total comprehensive income for the period	-	-	-	54,524	54,524
Dividends to owners – 2014 final	-	-	-	(8,792)	(8,792)
Treasury shares, at cost	-	-	-	-	-
At 30 September 2015	116,535	2,165	(37,859)	560,859	641,700
Period ended 30 September 2014					
At 1 January 2014	116,535	2,165	(36,370)	454,691	537,021
Profit/Total comprehensive income for the period	-	-	-	56,763	56,763
Dividends to owners – 2013 final	-	-	-	(9,895)	(9,895)
Treasury shares, at cost	-	-	(1,141)	-	(1,141)
At 30 September 2014	116,535	2,165	(37,511)	501,559	582,748

The notes set out on pages 5 to 11 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 2014



QUARTERLY REPORT – Third Quarter Ended 30 September 2015

NOTES TO THE INTERIM FINANCIAL REPORT

For the quarter ended 30 September 2015

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 2014.

2. Significant accounting policies

These condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies applied in the 2014 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 2015. 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. The Group is currently assessing the financial impact of adopting MFRS for annual periods beginning on or after 1 January 2017.

On 8 September 2015, MASB has 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.

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 did not buy back any shares.

As at 30 September 2015, the number of treasury shares held were 33,158,781 shares at a total cost of RM37,858,954 and all the repurchase transactions were financed by internally generated funds. None of the shares purchased back was resold or cancelled during the quarter under review.



QUARTERLY REPORT – Third Quarter Ended 30 September 2015

7. Operating Segment

The Group has two reportable segments, as described below, which are the Group's strategic units.

Construction : Marine and civil engineering works and construction
 Property development : Development of residential and commercial properties

	Construction	Property Development	Other non-Reportable segment	Inter-Segment elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
For the period ended 30 September 2015					
<i>In thousand of RM</i>					
Segment profit					
Revenue from external customers	477,125	17,374	-	-	494,499
Segment profit before tax, interest, depreciation and other material non-cash items	73,328	5,166	105	12	78,611
Depreciation	(7,648)	(29)	(317)	-	(7,994)
Interest income from bank balances	1,571	9	51	-	1,631
Interest income from other financial assets	841	(1)	-	-	840
Interest expense on bank balances	-	(8)	-	-	(8)
Interest expense on other financial liabilities	(261)	-	-	-	(261)
Segment profit before tax	67,831	5,137	(161)	12	72,819
Income tax expense					(18,295)
Profit for the period					54,524
Segment assets	476,461	282,601	46,066	(271)	804,857
Segment liabilities	146,100	31,636	(512)	(14,067)	163,157

	Construction	Property Development	Other non-Reportable segment	Inter-Segment elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
For the period ended 30 September 2014					
<i>In thousand of RM</i>					
Segment profit					
Revenue from external customers	390,407	21,194	-	-	411,601
Segment profit before tax, interest, depreciation and other material non-cash items	74,024	6,579	(2)	22	80,623
Depreciation	(7,291)	(23)	(315)	-	(7,629)
Interest income from bank balances	2,799	47	43	-	2,889
Interest income from other financial assets	445	30	-	-	475
Interest expense on bank balances	-	(1)	-	-	(1)
Interest expense on other financial liabilities	(255)	-	-	-	(255)
Segment profit before tax	69,722	6,632	(274)	22	76,102
Income tax expense					(19,339)
Profit for the period					56,763
Segment assets	482,818	253,487	23,882	(287)	759,900
Segment liabilities	163,310	11,908	5	(71)	177,152

The activities of the Group are carried out in Malaysia and as such, segmental reporting by geographical locations is not presented.

8. Dividend Paid

There was no dividend paid during the quarter ended 30 September 2015.

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 – Third Quarter Ended 30 September 2015

10. Changes in the Composition of the Group

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

11. Contingent Liabilities

There were no contingent liabilities in respect of the Group that have arisen since 30 September 2015 till the date of this quarterly report.

12. Property, plant and equipment

The acquisitions and disposals of property, plant and equipment for the period ended 30 September 2015 were as follows:-

<i>In thousand of RM</i>	<u>9 months ended 30 September</u>	
	2015	2014
	RM'000	RM'000
Acquisitions of property, plant and equipment, at cost	7,089	6,013
Disposals of property, plant and equipment, at carrying amount	<u>891</u>	<u>3,213</u>

13. Commitment

The amount of commitment not provided for in the interim financial report as at 30 September 2015 were as follows:-

<i>In thousand of RM</i>	<u>As at 30 September</u>	
	2015	2014
	RM'000	RM'000
Acquisition of property, plant and equipment		
Approved and contracted for	11,031	320
Approved but not contracted for	<u>59,970</u>	<u>75,000</u>
	<u>71,001</u>	<u>75,320</u>

14. Recurrent Related Party Transactions

The aggregate gross value of significant recurrent related party transactions for the period ended 30 September 2015 were as follows:-

<i>In thousand of RM</i>	<u>9 months ended 30 September</u>	
	2015	2014
	RM'000	RM'000
Aggregate gross value of significant recurrent related party transactions	<u>33,565</u>	<u>34,839</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 Yii Chi Hau, Yu Chee Hoe, Yii Chee Sing, 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 thousand of RM</i>	<u>9 months ended 30 September</u>	
	2015	2014
	RM'000	RM'000
Directors' compensation	2,100	2,051
Other key management personnel compensation	<u>2,433</u>	<u>2,370</u>



QUARTERLY REPORT – Third Quarter Ended 30 September 2015

ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS

For the quarter ended 30 September 2015

16. Review of Performance

The Group derives revenue from construction and property development activities.

Revenue for the quarter under review is RM158.44 million, an increase of 2% as compared to the preceding year corresponding quarter's figure of RM155.36 million. The construction segment contributed RM154.63 million (98%) whilst the property development segment registered a contribution of RM3.81 million (2%) to the Group's revenue during the quarter.

The net profit before tax of the Group for the current quarter is RM23.66 million compared to RM28.66 million for the preceding year's corresponding quarter.

The changes in revenue and net profit before tax were contributed by the following segments:

Construction segment: For the 3-month period ended 30 September 2015, the revenue and net profit before tax are RM154.63 million and RM22.66 million compared to the previous year's corresponding quarter figures of RM150.35 million and RM27.23 million respectively. The revenue for the current quarter has improved by 3% as compared to the previous year's corresponding quarter while profit before tax has decreased by 17%. The higher revenue was mainly due to the increased activities in the construction segment. A lower profit margin was recorded due to more projects being secured via open tender and the general increase in cost of construction.

Property development segment: For the 3-month period ended 30 September 2015, the revenue and net profit before tax decreased to RM3.81 million and RM1.00 million from the previous year's corresponding quarter figures of RM5.01 million and RM1.43 million respectively. Sales during the current quarter were low compared to 2014 as the high end gated and guarded residential project, *la Promenade* was only 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 RM23.66 million compared to RM22.90 million for the immediate preceding quarter on the back of the Group's revenue of RM158.44 million and RM149.60 million respectively. Both the revenue and profit before tax have improved compared to the immediate preceding quarter.

18. Current Year Prospects

The continued focus on improving infrastructure and utilities for Sarawak's rural communities as announced in the 11th Malaysia Plan and the proposed upgrading of the Pan-Borneo Highway 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 provide 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 making a greater impact on the business of HSL Group with increased contribution from the property development sector in the last quarter of 2015 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 – Third Quarter Ended 30 September 2015

20. Income Tax Expense

<i>In thousand of RM</i>	Individual Quarter 3 months ended 30 September		Cumulative Quarter 9 months ended 30 September	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Current Tax Expense - Malaysian				
Current quarter/period	6,100	7,355	19,226	19,220
Over provision in prior year	(186)	(1)	(186)	(79)
Deferred Tax Expense - Malaysian				
Current quarter/period	(94)	(85)	(733)	158
Under provision in prior year	(12)	-	(12)	40
Income tax expense	5,808	7,269	18,295	19,339

Reconciliation of effective tax expense

Profit for the quarter/period	17,851	21,391	54,524	56,763
Total income tax expense	5,808	7,269	18,295	19,339
Profit before taxation	23,659	28,660	72,819	76,102
Income tax using Malaysian tax rates	5,915	7,166	18,205	19,026
Non-deductible expenses	91	103	288	351
Over provision in prior year	(198)	-	(198)	(38)
Income tax expense	5,808	7,269	18,295	19,339

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.

The Writ sought a declaration that the announcements made by HSL to Bursa Malaysia (Kuala Lumpur Stock Exchange then) on 10/11/1998 were valid and proper consequent to one of the defendants, Yii Chee Ming's disclosures to the relevant authorities on 9/11/1998 pertaining to the disposal of Yii Chee Ming's shares in Hock Seng Lee Enterprise Sdn Bhd, (HSLE) (the holding company of HSL) and ceasing to be a substantial shareholder of HSLE and that he, Yii Chee Ming, no longer has any deemed interest in HSL.

The Writ also sought a declaration that the defendants are estopped from claiming the existence of a purported trust and that the two statutory declarations made by two defendants namely Yii Chee Ping and Yii Chee Hiong in 2013 premised on that alleged purported trust to say that they were holding the HSLE shares in trust for Yii Chee Ming and the subsequent transfer of the shares of HSLE from Yii Chee Ping and Yii Chee Hiong to Yii Chee Ming in 2013 premised on that alleged purported trust was unlawful, ultra vires and/or illegal and therefore null and void.

The ongoing litigation described above is not expected to have any material effect on HSL's earnings per share, net assets per share, gearing, share capital or substantial shareholders' shareholdings for the financial year ending 31 December 2015. Moreover, the Board upon professional advice is confident that the Company has a strong case.

There has been no material development on the case since the filing of the writ of Summons on 11 September 2015 up to the date of this report. The case was brought up for mention before the High Court Kuching on 23 November 2015 and a second mention has been scheduled on 2 December 2015.



QUARTERLY REPORT – Third Quarter Ended 30 September 2015

24. Dividend

The first interim single-tier tax exempt dividend of 5% per ordinary share for the year ending 31 December 2015 has been paid to the shareholders on 8 October 2015.

25. Earnings per Share

	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30 September		30 September	
	2015	2014	2015	2014
Net profit attributable to ordinary owners of the Company (RM'000)	17,851	21,391	54,524	56,763
Weighted average number of ordinary shares ('000)	549,517	549,709	549,717	549,824
Basic earnings per share (sen)	3.25	3.89	9.92	10.32

26. Profit before tax

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

<i>In thousand of RM</i>	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30 September		30 September	
	2015 RM,000	2014 RM,000	2015 RM,000	2014 RM,000
Interest income from bank balances	575	914	1,631	2,889
Interest income from other financial assets	227	121	840	475
Other income including investment income	80	65	221	194
Interest expense on bank balances	1	1	8	1
Interest expense on other financial liabilities	71	62	261	255
Depreciation and amortization	2,711	2,586	7,994	7,629
Provision for and write off of receivables	-	-	-	-
Provision for and write off of inventories	-	-	-	-
Gain/(loss) on disposal of properties, plant and equipment	(9)	11	543	2,554
Gain/(loss) on disposal of investments	-	-	-	-
Impairment/(Reversal of impairment) of financial assets	(33)	(15)	(131)	(772)
Foreign exchange gain/(loss)	(1)	(4)	(3)	(3)
Gain/(loss) on derivatives	-	-	-	-
Exceptional item	-	-	-	-

27. Derivative Financial Instruments

There were no derivative financial instruments as at 30 September 2015.

28. Gains/Losses arising from fair value changes of financial liabilities

There were no gains or losses arising from fair value changes of the financial liabilities for the current quarter and financial period ended 30 September 2015.



QUARTERLY REPORT – Third Quarter Ended 30 September 2015

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 September	30 September
	2015	2014
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	577,028	518,441
- Unrealised	(15,899)	(16,595)
	561,129	501,846
Less : Consolidation adjustments	(272)	(287)
Total retained earnings as per consolidated financial statements	560,857	501,559

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 2014 in their report dated 31 March 2015.

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 26 November 2015.

Issue Date: 26 November 2015