

**Hock Lian Seng Holdings Limited**

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Company Registration Number 200908903E

**FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT FOR THE NINE MONTH
ENDED 30 SEPTEMBER 2016**

PART I : Information required for announcement of Quarterly Result**1(a)(i) An income statement and statement of comprehensive income or a statement of comprehensive income (for the group), together with comparative statements for the corresponding period of the immediately preceding financial year.**

	Group		Change
	9 months ended		
	30.09.2016	30.09.2015	
	\$'000	\$'000	%
Revenue	84,859	149,766	-43.3%
Cost of sales	(75,236)	(118,140)	-36.3%
Gross profit	9,623	31,626	-69.6%
Other income	3,699	2,902	27.5%
Distribution and selling costs	(78)	(1,041)	-92.5%
Administrative costs	(3,592)	(4,430)	-18.9%
Changes in fair value of investment properties	-	(2,700)	-100.0%
Changes in fair value/impairment of investment securities	(276)	75	nm
Other operating costs	(191)	(203)	-5.9%
Share of results of joint venture, net of tax	10,732	3,751	186.1%
Profit before taxation	19,917	29,980	-33.6%
Tax expenses	(1,341)	(4,774)	-71.9%
Profit after taxation	18,576	25,206	-26.3%
Attributable to:			
Equity holders of the Company	18,576	25,206	-26.3%

n.m. : - not meaningful



Consolidated statement of comprehensive income

	Group	
	9 months ended	
	30.9.2016	30.9.2015
	\$'000	\$'000
Profit after taxation	18,576	25,206
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
- net change in fair value	181	(39)
Other comprehensive income	181	(39)
Total comprehensive income	18,757	25,167
Attributable to:		
Equity holders of the Company	18,757	25,167

1(a)(ii) Notes to the Income Statement

The Group's profit before taxation is arrived at after charging/(crediting) the following:

	Group	
	9 months ended	
	30.9.2016	30.9.2015
	\$'000	\$'000
Depreciation of property, plant and equipment	1,694	1,418
Loss/(gain) on disposal of property, plant and equipment	4	(115)
Gain on disposal of investment securities	(45)	-
Impairment loss on investment securities	250	-
Allowance for doubtful receivables	40	-
Interest income	(3,110)	(2,323)
Dividend income from investment securities	(99)	(60)
Fair value changes on investment properties	-	2,700
Fair value changes on investment securities	26	(75)



1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30.09.2016	31.12.2015	30.06.2016	31.12.2015
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	13,394	8,902	-	-
Subsidiary companies	-	-	37,814	37,814
Investment in joint venture	15,997	5,265	-	-
Investment properties	3,350	3,350	-	-
Investment securities (non-current)	29,982	24,482	-	-
Deferred tax assets	5,991	6,897	-	-
	68,714	48,896	37,814	37,814
Current assets				
Development properties	62,442	46,710	-	-
Contract work-in-progress	7,402	12,103	-	-
Trade receivables	15,513	6,435	-	-
Other receivables	643	764	5,565	11,439
Amounts due from a joint venture partner	0	43	-	-
Amounts due from a joint venture	259	60,457	-	-
Prepayments and deposits	753	432	-	-
Investment securities (current)	3,065	8,747	-	-
Cash and short term deposits	202,641	156,907	55,843	57,350
	292,718	292,598	61,408	68,789
Current liabilities				
Trade and other payables	54,187	50,827	343	1,491
Loans and borrowings	26	51	-	-
Amounts due to a joint venture partner	16	38	-	-
Advance payment received for construction project	-	-	-	-
Progress billings in excess of work-in-progress	23,105	1,828	-	-
Progress billings to customers	227	-	-	-
Provisions	39,887	45,388	-	-
Provision for taxation	862	6,235	8	33
	118,310	104,367	351	1,524
Net current assets	174,408	188,231	61,057	67,265
Non-current liabilities				
Loans and borrowings	15,490	15,503	-	-
	15,490	15,503	-	-
Net assets	227,632	221,624	98,871	105,079
Equity				
Share capital	58,956	58,956	58,956	58,956
Capital reserve	1,000	1,000	-	-
Fair value adjustment reserve	140	(41)	-	-
Accumulated profits	183,775	177,948	39,915	46,123
Merger deficit	(16,239)	(16,239)	-	-
Total equity	227,632	221,624	98,871	105,079



1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 30 September 2016		As at 31 December 2015	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
26	-	51	-

Amount repayable after one year

As at 30 September 2016		As at 31 December 2015	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
15,490	-	15,503	-

Details of collateral:

As at 30 September 2016, the Group's non-current secured borrowings of \$15,490,000 was obtained for the purpose of a property development project, which was secured over the development site at Tuas.

The current secured borrowings of \$26,000 relate to hire purchase creditor secured by way of rights to the leased asset under the agreement.



1 (c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	< -----Group----- >	
	9 months ended	
	30.09.2016	30.09.2015
	\$'000	\$'000
Cash flows from operating activities		
Profit before taxation	19,917	29,980
Adjustments :		
Depreciation of property, plant and equipment	1,694	1,418
Allowance for doubtful receivables	40	34
Loss/(Gain) on disposal of property, plant and equipment	4	(115)
Provision for impairment loss on investment securities	250	-
Fair value changes on investment properties	-	2,700
Fair value changes on investment securities	26	(75)
Gain on disposal of investment securities	(45)	-
Share of results of joint venture	(10,732)	(3,751)
Interest income	(3,110)	(2,323)
Dividend income from investment securities	(99)	(60)
Operating cash flows before working capital changes	7,945	27,808
(Increase)/decrease in:		
Contract work-in-progress	4,701	(54)
Development properties	(15,732)	30,162
Trade receivables	(9,118)	24,580
Other receivables	(286)	462
Prepayments and deposits	(321)	9,032
Increase/(decrease) in:		
Trade and other payables and provisions	(2,141)	(11,496)
Progress billings to customers	227	(46,986)
Progress billings in excess of work-in-progress	21,277	6,575
Advance payments received for construction project	-	(7,394)
Cash flows generated from operations	6,552	32,689
Interest received	2,301	876
Income tax paid	(5,808)	(22,240)
Net cash flows generated from operating activities	3,045	11,325
Cash flows from investing activities		
Purchases of property, plant and equipment	(6,200)	(4,258)
Amount due from a joint venture partner (net)	21	(3)
Amounts due from joint ventures	60,198	(4,979)
Purchases of investment securities (Held-to-maturity)	(5,815)	(4,475)
Proceeds from disposal of property, plant and equipment	10	183
Proceeds from maturity of investment securities	4,000	-
Proceeds from disposal of investment securities	1,950	-
Interest received from investment securities	1,213	1,014
Dividend income received from investment securities	99	60
Net cash flows used in investing activities	55,476	(12,458)
Cash flows from financing activities		
Dividend paid	(12,749)	(20,399)
Repayment of bank loans	-	(4,992)
Proceeds from bank loans	-	15,590
Repayment of obligations under finance lease	(38)	(25)
Net cash flows used in financing activities	(12,787)	(9,826)
Net (decrease)/increase in cash and cash equivalents	45,734	(10,959)
Cash and cash equivalents, Beginning Balance	156,907	165,538
Cash and cash equivalents, Ending Balance	202,641	154,579



1(d)(i) A statement (for the issuer and the group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of changes in equity

Group

	Share capital	Capital reserve	Accumulated profits	Fair value adjustment reserve	Merger deficit	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2016	58,956	1,000	177,948	(41)	(16,239)	221,624
Total comprehensive income	-	-	18,576	181	-	18,757
Dividend on ordinary shares	-	-	(12,749)	-	-	(12,749)
At 30 September 2016	58,956	1,000	183,775	140	(16,239)	227,632
At 1 January 2015	58,956	1,000	161,648	-	(16,239)	205,364
Total comprehensive income	-	-	25,206	(39)	-	25,167
Dividend on ordinary shares	-	-	(20,399)	-	-	(20,399)
At 30 September 2015	58,956	1,000	166,455	(39)	(16,239)	210,133

Company

	Share capital	Accumulated profits	Total Equity
	\$'000	\$'000	\$'000
At 1 January 2016	58,956	46,123	105,079
Total comprehensive income	-	6,542	6,542
Dividend on ordinary shares	-	(12,749)	(12,749)
At 30 September 2016	58,956	39,916	98,872
At 1 January 2015	58,956	41,125	100,081
Total comprehensive income	-	24,857	24,857
Dividend on ordinary shares	-	(20,399)	(20,399)
At 30 September 2015	58,956	45,583	104,539



1(d)(ii) Details of any changes in the company's share capital arising from right issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertible, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	Number of shares	Issued and paid-up capital (\$)
Issued and fully paid shares as at 31 December 2015 and at 30 September 2016	<u>509,978,991</u>	<u>58,955,522</u>

There were no changes in the Company's share capital for the financial period ended 30 September 2016.

There were no outstanding treasury shares as at 30 September 2016.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at end of the current financial period and as at the end of the immediately preceding year.

	30 September 2016	As at 31 December 2015
Total number of issued shares (excluding treasury shares)	<u>509,978,991</u>	<u>509,978,991</u>

1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group and the Company have applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those in its audited financial statements for FY2015.



5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group has adopted all the applicable new/revised Financial Reporting Standards (FRS) that become effective for accounting periods beginning 1 January 2016. The adoption of these new/revised FRS did not result in any change in the Group's accounting policies or any significant impact on the financial statements.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

Earning per share ("EPS")

	< ----- Group ----- > 9 months ended	
	30.9.2016	30.9.2015
Earnings attributable to equity holders of the Company (\$'000)	18,576	25,206
Weighted average number of ordinary shares used in computation of basic and fully diluted EPS	509,978,991	509,978,991
Basic EPS attributable to equity holders of the Company (cents)	3.64	4.90
Fully diluted EPS attributable to equity holders of the Company (cents)	3.64	4.90

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued share capital of the issuer at end of the : -**

- (a) **current financial period reported on; and**
(b) **immediately preceding financial year.**

Net asset value ("NAV")

	Group As at		Company As at	
	30.9.2016	31.12.2015	30.9.2016	31.12.2015
NAV per ordinary share (cents)	44.6	43.5	19.4	20.6
Number of shares used in computation of NAV per share	509,978,991	509,978,991	509,978,991	509,978,991



8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
 - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

9 months 2016 compared with 9 months 2015 Performance and segmental review

Revenue

In \$' million	9M 2016	%	9M 2015	%
Civil Engineering	84.8	99.9	53.4	35.6
Property Development	-	-	89.0	59.4
Investment Properties	0.1	0.1	7.4	5.0
	84.9	100.0	149.8	100.0

Revenue for Civil Engineering segment increased by \$31.4 million as the construction work for stabling yard at Gali Batu picks up in 2016. However total revenue for the group decreased by \$64.9 million (-43%) to \$84.9 million as no sales was recorded for property development segment. The sales of Ark@KB was recognized in March 2015 and there was no development project for recognition in the current financial period. The revenue from Investment property segment was only \$0.1 million as the workers dormitory has ceased operation since end of 2015.

Gross Profit

In \$' million	9M 2016	9M 2015
Civil Engineering	9.6	5.0
Property Development	-	21.4
Investment Properties	-	5.2
	9.6	31.6

Civil Engineering segment's gross profit was \$9.6 million with higher revenue and better gross margin due to the finalization of accounts for a few completed construction projects at the end of defect liability period, such as Ark@Gambas, Ark@KB. Total gross profit for the group has reduced by \$22.6 million (-70%) compare to the corresponding period last year as there is no contribution from Property Development and negligible contribution from the rental from investment properties.

Other income increased by \$0.8 million (+70%) to \$3.7 million, this was mainly due to the higher interest income.

Distribution cost reduced by \$1.1 million to about \$78,000 for the current financial period as there was minimal selling activities for the Property Development segment.

Administrative expenses decreased by \$0.8 million (-19%) to \$2.3 million for the current financial period due to the lower performance bonus accrued in line with the drop in profit, partially offset by the higher staff cost.

No fair value loss on investment property was recorded for current period as the fair value loss for previous financial period was related to the workers dormitory which has been demolished at end of 2015.

Fair value loss and impairment of investment securities amount to \$276,000 mainly due to a provision of impairment \$250,000 to a held-to-maturity investment securities.

The share of result of joint venture was \$10.7 million, compared to \$3.8 million recorded for the same period previous year. This was mainly due to the recognition of the sales and TOP



obtained in May for the Skywoods project. All units for project have been fully sold by July 2016.

Profit before taxation decreased by \$10.1 million to \$19.9 million, resulting mainly from absence of sales revenue from Property Development segment partially offset by the higher profit sharing from the Joint Venture in the residential development project, civil engineering segment and interest income.

Financial position and cash flow review

The main movements are:

- Increase in property, plant and equipment of 4.5 million, was mainly due to the acquisition of the Tampines site for \$3.8 million for the construction of own workshop and various plant and equipments to meet the requirement of ongoing projects.
- Increase in joint venture of \$10.0 million was due to the profit recognition of the Joint Venture residential development project, The Skywoods.
- The investment securities (total of current and non-current) was relatively stable at \$33.1 million as the acquisition of about \$6 million of treasury notes was mainly offset by the and the redemption of notes of \$4 million and disposal of quoted security of \$1.9 million.
- Increase in development properties by \$15.7 million mainly due to the additional construction cost incurred for the Tuas development project (Shine@TuasSouth) for the 9 months of 2016.
- Increase in trade receivables and payables was mainly due to the higher construction activities for civil engineering projects.
- Decrease in amounts due from a joint venture of \$60.0 million was due to repayment of loan from JV project, The Skywoods.
- Net increase of cash and short term deposits of \$45.7 million for the current financial period was mainly due to the repayment of loan of \$60 million from the Joint Venture cash outflow for the payment of dividend of \$12.7 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The current announced results are in line with the general prospect commentary previously disclosed to shareholders in the results announcement for the financial period ended 30 June 2016.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group's 60% JV was awarded a \$1.1 billion project from Changi Airport Group for the proposed development works to effect three-runway operations at Changi Airport. This new project commenced in August 2016 and expected to complete by 2022.

As at 30 September 2016, the Group's order book for on-going projects of civil engineering segment was approximately \$963 million for the Maxwell station, the two Changi Airport projects and Stabling at Gali Batu Depot. The construction of the Group's new industrial development property at Tuas (Shine@Tuas South) has commenced and expected to be completed in 2018.

The management will continue to tender for infrastructure projects and explore other business opportunities in property related segment to enhance the shareholders' value.



11. Dividend

- (a) **Current Financial Period Reported On**
Any dividend declared for the current financial period reported on ?

Nil.

- (b) **Corresponding Period of the immediately Preceding Financial year**

Any dividend declared for the corresponding period of the immediately preceding financial year ?

Nil.

- (c) **Date payable**

Not applicable.

- (d) **Books closure date**

Not applicable

12. If no dividend has been declared/recommendeded, a statement to that effect.

No interim dividend for the financial period ended 30 September 2016 is recommended.

13. If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

There is no general mandate from shareholders for IPTs.

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Office lease expenses paid to Lian Seng Investment Pte Ltd	\$'000 201	\$'000 Nil

14. Confirmation that the issuer has procured undertakings from all its directors and executive officers pursuant to Rule 720(1) of the Listing Manual.

The Company has procured undertakings on 24 February 2016 in the format set out in Appendix 7.7 from all its directors and the executive officers under Rule 720(1) of the Listing Manual.



15. Confirmation By The Board Pursuant To Rule 705(5) Of The Listing Manual

The Directors of the Company confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial results for the period ended 30 September 2016 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

CHUA LEONG HAI

Executive Director and CEO
4 November 2016