

**Hock Lian Seng Holdings Limited**

80 Marine Parade Road
 #21-08 Parkway Parade
 Singapore 449269
 Tel: (65) 6344 0555 Fax: (65) 6440 9049
 Company Registration Number 20090890E

FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015

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		
	30.09.2015	30.09.2014	
	\$'000	\$'000	%
Revenue	149,766	45,079	232.2%
Cost of sales	(118,140)	(32,125)	267.8%
Gross profit	31,626	12,954	144.1%
Other income	2,902	1,884	54.0%
Distribution and selling costs	(1,041)	(109)	nm
Administrative costs	(4,430)	(3,302)	34.2%
Changes in fair value of investment properties	(2,700)	(2,700)	-
Changes in fair value of investment securities	75	(364)	nm
Other operating costs	(203)	(97)	nm
Share of results of joint venture	3,751	564	565.1%
Profit before taxation	29,980	8,830	239.5%
Tax expenses	(4,774)	(1,687)	183.0%
Profit after taxation	25,206	7,143	252.9%
Attributable to:			
Equity holders of the Company	25,206	7,143	252.9%

n.m. : - not meaningful

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Consolidated statement of comprehensive income

	Group	
	9 months ended	
	30.09.2015	30.09.2014
	\$'000	\$'000
Profit after taxation	25,206	7,143
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
- net change in fair value	(39)	27
Other comprehensive income	(39)	27
Total comprehensive income	25,167	7,170
Attributable to:		
Equity holders of the Company	25,167	7,170

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 ended	
	30.09.2015	30.09.2014
	\$'000	\$'000
Depreciation of property, plant and equipment	1,418	1,043
Gain on disposal of property, plant and equipment	(115)	(44)
Interest income	(2,323)	(1,366)
Treasury notes early redemption fee	-	(180)
Dividend income from investment securities	(60)	(74)
Fair value changes on investment properties	2,700	2,700
Fair value changes on investment securities	(75)	364



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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	
	30.09.2015	31.12.2014	30.09.2015	31.12.2014
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	10,665	7,893	-	-
Subsidiary companies	-	-	37,814	37,814
Investment in joint ventures	2,437	30	-	-
Investment properties	1,650	4,350	-	-
Investment securities (non-current)	23,986	25,061	-	-
Deferred tax assets	6,407	6,978	-	-
	45,145	44,312	37,814	37,814
Current assets				
Development properties	43,358	73,520	-	-
Contract work-in-progress	4,699	4,644	-	-
Trade receivables	20,415	45,029	-	-
Other receivables	191	909	4,483	41,108
Amounts due from a joint venture partner	105	87	-	-
Amounts due from a joint venture	59,029	53,230	-	-
Prepayments and deposits	548	9,580	-	-
Investment securities (current)	8,288	2,710	-	-
Cash and short term deposits	154,579	165,538	62,499	25,491
	291,212	355,247	66,982	66,599
Current liabilities				
Trade and other payables	51,588	61,318	257	4,319
Loans and borrowings	50	4,992	-	-
Amounts due to a joint venture partner	124	109	-	-
Advance payment received for construction project	924	8,318	-	-
Progress billings in excess of work-in-progress	10,245	3,670	-	-
Progress billings to customers	-	46,986	-	-
Provisions	42,291	45,376	-	-
Provision for taxation	4,162	22,196	-	12
	109,384	192,965	257	4,331
Net current assets	181,828	162,282	66,725	62,268
Non-current liabilities				
Loans and borrowings	15,515	-	-	-
Deferred income	1,325	1,227	-	-
Deferred tax liabilities	-	3	-	-
	16,840	1,230	-	-
Net assets	210,133	205,364	104,539	100,082
Equity				
Share capital	58,956	58,956	58,956	58,956
Capital reserve	1,000	1,000	-	-
Fair value adjustment reserve	(39)	-	-	-
Accumulated profits	166,455	161,647	45,583	41,126
Merger deficit	(16,239)	(16,239)	-	-
Total equity	210,133	205,364	104,539	100,082

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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 2015		As at 31 December 2014	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
50	-	4,992	-

Amount repayable after one year

As at 30 September 2015		As at 31 December 2014	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
15,515	-	-	-

Details of collateral:

As at 30 September 2015, the Group's non-current secured borrowings of \$15,490,000 relate to property development project, which was secured over the development site at Tuas.

The other secured borrowings of \$75,000 (current: \$50,000 and non current :\$25,000) relate to hire purchase creditor secured by way of rights to the leased asset under the agreement.

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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	
	30.09.2015	30.09.2014
Cash flows from operating activities	\$'000	\$'000
Profit before taxation	29,980	8,830
Adjustments :		
Depreciation of property, plant and equipment	1,418	1,043
Allowance for doubtful receivables	34	-
Gain on disposal of property, plant and equipment	(115)	(44)
Fair value changes on investment properties	2,700	2,700
Fair value changes on investment securities	(75)	364
Share of results of joint venture	(3,751)	(564)
Interest income	(2,323)	(1,546)
Dividend income from investment securities	(60)	(74)
Operating cash flows before working capital changes	27,808	10,709
(Increase)/decrease in:		
Contract work-in-progress	(54)	621
Development properties	30,162	(46,188)
Trade receivables	24,580	(9,608)
Other receivables	462	605
Prepayments and deposits	9,032	(42)
Increase/(decrease) in:		
Trade and other payables and provisions	(11,496)	2,662
Progress billings to customers	(46,986)	67,096
Progress billings in excess of work-in-progress	6,575	2,102
Advance payments received for construction project	(7,394)	11,090
Cash flows generated from operations	32,689	39,047
Interest received	876	1,061
Income tax paid	(22,240)	(5,351)
Net cash flows generated from operating activities	11,325	34,757
Cash flows from investing activities		
Purchases of property, plant and equipment	(4,258)	(1,762)
Amount due from a joint venture partner (net)	(3)	92
Amount due from joint ventures	(4,979)	(1,262)
Dividend income received from jointly controlled entity	-	75
Purchases of investment securities (Held-to-maturity)	(4,475)	(5,007)
Proceeds from disposal of property, plant and equipment	183	112
Proceeds from maturity of investment securities(Held-to-maturity)	-	3,501
Interest received from investment securities (Held-to-maturity)	1,014	498
Dividend income received from investment securities	60	74
Net cash flows used in investing activities	(12,458)	(3,679)
Cash flows from financing activities		
Dividend paid	(20,399)	(9,180)
Repayment of bank loans	(4,992)	(8,986)
Proceeds from bank loans	15,590	-
Repayment of obligations under finance lease	(25)	-
Net cash flows (used in)/generated from financing activities	(9,826)	(18,166)
Net increase /(decrease) in cash and cash equivalents	(10,959)	12,912
Cash and cash equivalents, Beginning Balance	165,538	102,778
Cash and cash equivalents, Ending Balance	154,579	115,690

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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 2015	58,956	1,000	161,648	-	(16,239)	205,365
Total comprehensive income	-	-	25,206	(39)	-	25,167
Dividend on ordinary shares	-	-	(20,399)	-	-	(20,399)
At 30 September 2015	<u>58,956</u>	<u>1,000</u>	<u>166,455</u>	<u>(39)</u>	<u>(16,239)</u>	<u>210,133</u>
At 1 January 2014	58,956	1,000	98,207	(12)	(16,239)	141,912
Total comprehensive income	-	-	7,143	27	-	7,170
Dividend on ordinary shares	-	-	(9,180)	-	-	(9,180)
At 30 September 2014	<u>58,956</u>	<u>1,000</u>	<u>96,170</u>	<u>15</u>	<u>(16,239)</u>	<u>139,902</u>

Company

	Share capital	Accumulated profits	Total equity
	\$'000	\$'000	\$'000
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	<u>58,956</u>	<u>45,583</u>	<u>104,539</u>
At 1 January 2014	58,956	12,289	71,245
Total comprehensive income	-	93	93
Dividend on ordinary shares	-	(9,179)	(9,179)
At 30 September 2014	<u>58,956</u>	<u>3,203</u>	<u>62,159</u>

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- 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 2014 and at 30 September 2015	<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 2015.

There were no outstanding treasury shares as at 30 September 2015.

- 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 2015	As at 31 December 2014
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 FY2014.

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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 2015. 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	
	30.9.2015	30.9.2014
Earnings attributable to equity holders of the Company (\$'000)	25,206	7,143
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)	4.9	1.4
Fully diluted EPS attributable to equity holders of the Company (cents)	4.9	1.4

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	
	30.9.2015	31.12.2014	30.9.2015	31.12.2014
NAV per ordinary share (cents)	41.2	40.3	20.5	19.6
Number of shares used in computation of NAV per share	509,978,991	509,978,991	509,978,991	509,978,991

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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 2015 compared with 9 months 2014 Performance and segmental review

Revenue

In \$' million	9M 2015	%	9M 2014	%
Civil Engineering	53.4	35.6	37.1	82.3
Property Development	89.0	59.4	-	-
Investment Properties	7.4	5.0	8.0	17.7
	149.8	100.0	45.1	100.0

Revenue increased by \$104.7 million (232%) to \$149.8 million for 9 months ended 30 September 2015, mainly due to the \$89 million revenue recognition from the industrial development property project, Ark@KB in March 2015 and additional units sold for Ark@Gambas. The civil engineering segment revenue was \$16.3 million (44%) higher as progress of the Maxwell station and Airport projects has picked up in 2015.

The revenue from Investment property segment was mainly rental income from workers' dormitory, revenue was \$0.3 million lower as occupancy drop with the pending lease expiry in November.

Gross Profit

In \$' million	9M 2015	9M 2014
Civil Engineering	5.0	7.5
Property Development	21.4	-
Investment Properties	5.2	5.5
	31.6	13.0

Gross profit increased by \$18.6 million (144%) to \$31.6 million for the current reporting period mainly due to the recognition of the Ark@KB project in March 2015. The gross profit for civil engineering segment was \$2.5 million (33%) lower, due to the lower margin for the on hand projects. The gross profit for workers dormitory was marginally lower.

Other income increased mainly due to the higher interest income of \$1 million and \$0.3 million BCA's productivity improvement grant for construction projects.

Distribution cost of about \$1.0 million was mainly relate to the sales commission incurred for the two Industrial development projects.

Administrative expenses was \$1.1 million (34%) higher than the same period last year mainly due to the higher performance bonus accrued, higher staff costs and additional legal fee incurred in view of the completion of the industrial development projects.

The decrease in the fair value of investment properties was related to the impairment of the workers' dormitory. The workers' dormitory is stated at fair value determined based on the discounted cash flow method and the fair value is expected to be \$2.7 million lower with the projection of cash inflow reduced over the lease period. The lease is expiring at end of 2015.



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The share of result of joint venture was \$3.8 million, compared \$0.6 million recorded for the corresponding period of 2014. This was mainly due to the improved sales and further progress in the construction stages for the Skywoods project. The construction of the project is about 90% completed and 75% sold as end of September 2015. This private residential project is recognized by percentage of completion method.

Profit before taxation increased by \$21.2 million to \$30.0 million, resulting mainly from the recognition of the Ark@KB project and better result from the Joint Venture in the residential development project.

Financial position and cash flow review

The main movements are:

- Increase in property, plant and equipment of 2.8 million, was mainly due to the acquisition of a unit of workshop at Ark@KB and various plant and equipments to meet the requirement of the infrastructure projects.
- Decrease in investment property by \$2.7 million was due to the fair value adjustment to the worker dormitory. The value of the worker dormitory has been fully written down by end of September.
- Increase in investment securities (total of current and non-current) by \$4.5 million, was mainly due to the acquisition of the held-to-maturity securities. About \$5.5 million treasury notes were reclassified to current assets as they are due for redemption within the next 12 months.
- Decrease in development properties by \$30.1 million mainly due to the cost recognition for Ark@Kb offset by the addition of Tuas site acquisition.
- Decrease in progress billing to customers was due to the sales recognition for Ark@KB.
- Decrease in trade receivables by \$24.6 million mainly due to the progress billings in December 2014 for Ark@Gambas, there was no progress billing for property development project in September 2015.
- Decrease in Prepayment and deposits by \$9.0 million was mainly due to the transfer of down payment for Tuas site to development properties upon completion of land acquisition.
- Advance payment received for construction project decrease to \$0.9 million from \$8.3 million. This was relate to the Maxwell station project and the advance was progressively repaid with the progress billings.
- The short term bank loan of \$5.0 million as at end of December 2014 for Ark@Gambas was fully repaid and the Long term bank loan of \$15.5 million relates to the land loan for Tuas site. The remaining borrowings of \$0.1 million relates to the hire purchase creditor.
- Net decrease of cash and short term deposits of \$10.9 million for the 9 months ended 30 September 2015 was mainly due to the dividend payment of \$20.4 million and repayment of bank loans of \$5 million, additional \$5.0 million loan to Joint Venture company for the funding for the marketing cost of The Skywoods and about \$6.6 million outflow for investment in held-to-maturity securities and acquisition of plant and equipment, offset by the cash generated from operating activities arising from TOP of Ark@KB of \$11.3 million and proceeds from bank loan of \$15.5 million for the Tuas site.

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 half year ended 30 June 2015.



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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.

As at 30 September 2015, the Group's order book for on-going projects of civil engineering segment was approximately \$408 million for the Maxwell station, Changi Airport project, Stabling at Gali Batu Depot and balance of work for Jalan Gali Batu Depot. The construction of the Group's new industrial development property at Tuas would be undertaken by own construction arm which is expected to commence in 2nd half 2015. This 5.5-storey multi-user ramp-up industrial buildings is to be completed by 1H 2018.

The construction of The Skywoods, a 50% joint venture residential project, is targeted to complete by 2016. The sales of units is on-going. About 75% of the units were sold by end September 2015.

The management will continue to tender for infrastructure projects competitively 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 2015 is recommended.

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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	\$'000 174	\$'000 Nil

14. Update on use of IPO proceeds

The Company has fully utilized the proceeds from the IPO as at 30 June 2015 (Please refer to result announcement for 1H 2015 released on 5 August 2015).

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 2015 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

CHUA LEONG HAI
Executive Director and CEO

4 November 2015