

**Hock Lian Seng Holdings Limited**

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Company Registration Number 200908903E

FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

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		
	First Quarter ended		Change
	31.03.2017	31.03.2016	
	\$'000	\$'000	%
Revenue	28,001	23,590	18.7%
Cost of sales	(25,592)	(22,157)	15.5%
Gross profit	2,409	1,433	68.1%
Other income	1,129	1,114	1.3%
Distribution and selling costs	-	(3)	nm
Administrative costs	(1,207)	(982)	22.9%
Changes in fair value of investment securities	50	88	-43.2%
Other operating costs	(64)	(54)	18.5%
Share of results of joint venture, net of tax	(5)	1,070	nm
Profit before taxation	2,312	2,666	-13.3%
Tax expenses	(223)	(161)	38.5%
Profit after taxation	2,089	2,505	-16.6%
Attributable to:			
Equity holders of the Company	2,089	2,505	-16.6%

n.m. : - not meaningful



Consolidated statement of comprehensive income

	Group	
	First Quarter ended	
	31.03.2017	31.03.2016
	\$'000	\$'000
Profit after taxation	2,089	2,505
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
- net change in fair value	151	113
Other comprehensive income	151	113
Total comprehensive income	2,240	2,618
Attributable to:		
Equity holders of the Company	2,240	2,618

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

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

	Group	
	First Quarter ended	
	31.03.2017	31.03.2016
	\$'000	\$'000
Depreciation of property, plant and equipment	741	539
Loss/(gain) on disposal of property, plant and equipment	(210)	-
Interest income	(730)	(984)
Dividend income from investment securities	-	(9)
Fair value changes on investment securities	(50)	(88)



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	
	31.03.2017	31.12.2016	31.03.2017	31.12.2016
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	23,775	15,629	-	-
Subsidiary companies	-	-	37,814	37,814
Investment in joint venture	12,807	15,313	-	-
Investment properties	3,100	3,100	-	-
Investment securities (non-current)	23,778	26,765	-	-
Deferred tax assets	3,387	3,520	-	-
	66,847	64,327	37,814	37,814
Current assets				
Development properties	83,020	71,904	-	-
Contract work-in-progress	6,418	7,708	-	-
Trade receivables	10,045	13,661	-	-
Other receivables	92	1,041	64,652	56,469
Amounts due from a joint venture	3,856	1,357	-	-
Prepayments and deposits	2,516	1,427	-	-
Investment securities (current)	8,009	4,460	-	-
Cash and short term deposits	200,797	205,984	40,700	42,285
	314,753	307,542	105,352	98,754
Current liabilities				
Trade and other payables	48,031	50,934	418	508
Loans and borrowings	-	13	-	-
Amounts due to a joint venture partner	3,600	1,209	-	-
Progress billings in excess of work-in-progress	39,270	30,385	-	-
Progress billings to customers	455	455	-	-
Provisions	25,837	26,797	-	-
Provision for taxation	1,652	1,562	131	130
	118,845	111,355	549	638
Net current assets	195,908	196,187	104,803	98,116
Non-current liabilities				
Loans and borrowings	15,490	15,490	-	-
	15,490	15,490	-	-
Net assets	247,265	245,024	142,617	135,930
Equity				
Share capital	58,956	58,956	58,956	58,956
Capital reserve	1,000	1,000	-	-
Fair value adjustment reserve	329	177	-	-
Accumulated profits	203,219	201,130	83,661	76,974
Merger deficit	(16,239)	(16,239)	-	-
Total equity	247,265	245,024	142,617	135,930



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

Amount repayable in one year or less, or on demand

As at 31 March 2017		As at 31 December 2016	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
-	-	51	-

Amount repayable after one year

As at 31 March 2017		As at 31 December 2016	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
15,490	-	15,503	-

Details of collateral:

As at 31 March 2017, 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.



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----- >	
	First quarter ended	
	31.03.2017	31.03.2016
Cash flows from operating activities	\$'000	\$'000
Profit before taxation	2,312	2,666
Adjustments :		
Depreciation of property, plant and equipment	741	539
Loss/(gain) on disposal of property, plant and equipment	(210)	-
Fair value changes on investment securities	(50)	(88)
Share of results of joint venture	5	(1,070)
Interest income	(730)	(984)
Dividend income from investment securities	-	(9)
Operating cash flows before working capital changes	2,068	1,054
(Increase)/decrease in:		
Contract work-in-progress	1,290	(362)
Development properties	(11,115)	(467)
Trade receivables	3,616	(1,315)
Other receivables	(23)	213
Prepayments and deposits	(1,089)	(185)
Increase/(decrease) in:		
Trade and other payables and provisions	(3,251)	(37)
Progress billings in excess of work-in-progress	8,885	(68)
Cash flows generated from operations	381	(1,167)
Interest received	610	862
Income tax paid	1	2
Net cash flows generated from operating activities	992	(303)
Cash flows from investing activities		
Purchases of property, plant and equipment	(8,887)	(1,321)
Dividend income received from joint venture	2,500	-
Decrease/(increase) in amount due from a joint venture partner (net)	2,391	7
Decrease/((increase) in amounts due from joint ventures	(2,499)	(1,622)
Purchases of investment securities (Held-to-maturity)	(1,360)	(3,605)
Purchases of investment securities (Fair value through profit or loss)	-	3,000
Proceeds from disposal of property, plant and equipment	210	-
Proceeds from maturity of investment securities	1,000	-
Interest received from investment securities	479	463
Dividend income received from investment securities	-	9
Net cash flows generated from/(used in) investing activities	(6,166)	(3,069)
Cash flows from financing activities		
Repayment of obligations under finance lease	(13)	(13)
Net cash flows used in financing activities	(13)	(13)
Net increase/(decrease) in cash and cash equivalents	(5,187)	(3,385)
Cash and cash equivalents, Beginning balance	205,984	156,907
Cash and cash equivalents, Ending balance	200,797	153,522



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 2017	58,956	1,000	201,131	177	(16,239)	245,025
Total comprehensive income	-	-	2,089	151	-	2,240
Dividend on ordinary shares	-	-	-	-	-	-
At 31 March 2017	58,956	1,000	203,220	328	(16,239)	247,265
At 1 January 2016	58,956	1,000	177,948	(41)	(16,239)	221,624
Total comprehensive income	-	-	2,505	113	-	2,618
Dividend on ordinary shares	-	-	-	-	-	-
At 31 March 2016	58,956	1,000	180,453	72	(16,239)	224,242

Company

	Share capital	Accumulated profits	Total Equity
	\$'000	\$'000	\$'000
At 1 January 2017	58,956	76,974	135,930
Total comprehensive income	-	6,687	6,687
Dividend on ordinary shares	-	-	-
At 31 March 2017	58,956	83,661	142,617
At 1 January 2016	58,956	46,123	105,079
Total comprehensive income	-	40	40
Dividend on ordinary shares	-	-	-
At 31 March 2016	58,956	46,163	105,119



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 the number of shares that may be issued on conversion of all the outstanding convertible, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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 2016 and at 31 March 2017	<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 31 March 2017.

There were no outstanding treasury shares as at 31 March 2017.

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.

	31 March 2017	As at 31 December 2016
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, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings 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 FY2016.

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 2017. 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 ----- > 3 months ended	
	31.3.2017	31.3.2016
Earnings attributable to equity holders of the Company (\$'000)	2,089	2,505
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)	0.41	0.49
Fully diluted EPS attributable to equity holders of the Company (cents)	0.41	0.49

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		Company	
	As at	As at	As at	As at
	31.3.2017	31.12.2016	31.3.2017	31.12.2016
NAV per ordinary share (cents)	48.5	43.5	20.6	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.

3 months 2017 compared with 3 months 2016 Performance and segmental review

Revenue

In \$' million	3M 2017	%	3M 2016	%
Civil Engineering	27.9	99.6	23.5	99.6
Property Development	-	-	-	-
Investment Properties	0.1	0.4	0.1	0.4
	28.0	100.0	23.6	100.0

Civil Engineering segment increased by \$4.4 million with the commencement of the new Changi Airport JV project, revenue for other ongoing projects remain stable. No contribution from the Property Development and the revenue from Investment property segment remained insignificant.

Gross Profit

In \$' million	3M 2017	3M 2016
Civil Engineering	2.4	1.4
Property Development	-	-
Investment Properties	-	-
	2.4	1.4

Gross profit increased by \$1.0 million (68%) to \$2.4 million for the current financial period with higher sales contributed from the civil engineering projects.

Administrative expenses was \$1.2 million, \$0.2 million higher than the same period last year mainly due to the higher staff cost and share of administration cost of the Changi Airport JV project.

Other income remained stable at \$1.1 million, lower interest income was offset by the gain on disposal of plant and equipments.

No contribution from the share of result from the JV as the JV residential project has been fully recognized in previous years. The share of expenses was relate to the administrative cost incurred for the Joint venture.

Profit before taxation decreased by \$0.4 million to \$2.1 million, resulting mainly from absence of share of profit from Joint Venture, partially offset by the higher gross profit from the civil engineering projects.

Financial position and cash flow review

The main movements are:

- Increase in property, plant and equipment of 8.2 million, was mainly due to the acquisition of \$6.5 million office units for own use and about \$2.3 million of various plant and equipments to meet the requirement of ongoing projects.
- Decrease in the investment in joint venture of \$2.5 million was due to the dividend received from the Skywoods JV project.
- Increase in investment securities (total of current and non-current) by \$0.5 million, was mainly due to the acquisition of the held-to-maturity securities of \$1.4 million offset by the redemption of the matured bond of \$1 million.



- Increase in development properties by \$11.1 million mainly due to the additional construction cost incurred for the Tuas development project (Shine@TuasSouth) in Q1 2017.
- Decrease in trade receivables by \$3.7 million mainly due to the lower progress billings for civil engineering projects in March 2017.
- Increase in amounts due from/to a joint venture was mainly relate to the joint venture project at Changi Airport.
- Increase in prepayments and deposit was due to the down payment paid for ordering of plant and equipments for the new Changi JV project.
- Net decrease of cash and short term deposits of \$5.2 million for the current financial period was mainly due to the cash outflow for acquisition of property and equipments of \$8.9 million, offset by the \$2.5 million dividend income from the Joint Venture.

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 year ended 31 December 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.

As at 31 March 2017, the Group's order book for on-going projects of civil engineering segment was approximately \$915 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 is expected to be completed in 2018.

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/recommended, a statement to that effect.

No interim dividend for the financial period ended 31 March 2017 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 67	\$'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 31 March 2017 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

CHUA LEONG HAI

Executive Director and CEO
9 May 2017