



HOCK LIAN SENG
HOLDINGS LIMITED

EXCELLENCE



RELIABILITY

COMMITMENT



ANNUAL REPORT 2015



OUR BUSINESS IS BUILT AROUND
OUR CUSTOMERS, ENSURING WE
DELIVER **ENGINEERING EXCELLENCE,**
RELIABILITY & COMMITMENT
TO SUPPORT THEIR SUCCESS.

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About Us

HOCK LIAN SENG HOLDINGS LIMITED ("HOCK LIAN SENG" OR "THE GROUP") IS ONE OF THE LEADING CIVIL ENGINEERING GROUP IN SINGAPORE, WITH AN ESTABLISHED TRACK RECORD OF MORE THAN 45 YEARS. THE GROUP WAS LISTED ON THE MAINBOARD OF SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST") IN DECEMBER 2009.



Artist's Impression

Established in 1969, Hock Lian Seng has undertaken and completed wide range of civil engineering projects for both the public and private sectors in Singapore. We carry out civil engineering works for bridges, expressways, tunnels, Mass Rapid Transit ("MRT"), port facilities, water and sewage facilities and other infrastructure works. The Group has successfully completed Kim Chuan Depot, one of the world's largest underground depots with housing capacity for up to 77 trains , for the Circle Line in 2007.

Major customers include government and government-related bodies of Singapore, such as the Land Transport Authority, Housing Development Board, PSA Singapore Terminals, Public Utility Board and Civil Aviation Authority of Singapore.

The Group is also involved in property development and property investment businesses. The property development projects includes industrial and residential developments such as Ark@Gambas, Ark@KB and The Skywoods.

Project Highlights

CIVIL ENGINEERING



KIM CHUAN DEPOT PROJECT



Kim Chuan Depot serves as the train depot for the Circle Line. It measures 11 hectares and required the excavation of approximately 1.5 million tons of soil. The Kim Chuan Depot is one of the world's largest underground depots with housing capacity for up to 77 trains. This project took about five years to complete and at its construction peak, it involved approximately 1,000 workers. Works included excavation beneath the busy Hougang Avenue 3.

Commencement Date / Completion Date

June 2002 / October 2007

Project Highlights

PROPERTY DEVELOPMENT



Artist's Impression

SHINE@TUAS SOUTH

Shine@Tuas South is a 6-storey multi-user ramp-up B2 industrial building located at Tuas South Avenue 7. The land area is approximately 25,700m² and the 174 units development is expected to be completed in 2018.

Commencement Date / Expected Completion

August 2015 / August 2018

Letter to Shareholders

Dear Shareholders

"A new contract valued at about \$137.4 million was awarded by the Land Transport Authority to Hock Lian Seng Infrastructure in January 2015 for the Design and Construction of the Rail Stabling Yard nearby."

In the financial year ended 31 December 2015 (FY2015), uncertain economic growth dampened business prospects in Singapore. Stiff competition from foreign construction players, manpower shortage and rising operating costs led to depressed margin for many construction companies. At the same time, the bearish property market hampered growth in the sector. However, we managed to secure Gali Batu Stabling Yard contract from the Land Transport Authority (LTA) in January 2015 whilst managing two major projects, namely the Changi Airport taxiways and aircraft parking stands project and Maxwell MRT station project. This underscores our ability to maintain our performance despite the competitive environment.

PERFORMANCE REVIEW

In FY2015, the Group recorded a 33% drop in revenue to \$174.8 million largely due to a 54% decrease in contribution from the Property Development segment and lower gross margin for our civil engineering projects. Ark@KB, which obtained Temporary Occupation Permit ("TOP") in March 2015 accounted for 42% of the Group's revenue during the year. It was a much smaller project compared to Ark@Gambas, which was recognised in the previous year, and hence resulted in the drop in both top and bottom lines.

This was partially offset by higher revenue contribution from the Civil Engineering segment, which saw the commencement of construction for the Stabling Yard at Gali Batu in 2H2015, as well as the ramping up of construction of Maxwell MRT station and Changi Airport project in FY2015. Meanwhile, revenue from the Investment Property segment was mainly attributed to rental income from workers' dormitory. The revenue was lower than the previous year as the dormitory ceased operation in November 2015 due to lease expiry.

Concurrently, the share of result of joint venture was \$8.0 million against \$0.04 million registered for FY2014. This was due to increased sales and further progress in the construction works for The Skywoods project.



Due to the above factors, net profit for FY2015 fell 49.5% to \$36.7 million, while our cash and cash equivalents decreased 5.2% to \$156.9 million and shareholders' equity gained 7.9% to \$221.6 million.

DIVIDENDS

In spite of the challenging market in FY2015, we stay committed to sharing our earnings with our shareholders to show our appreciation for their support. The Directors have proposed a first and final cash dividend of 2.5 cents per ordinary share. The proposed dividend distribution to be approved by the shareholders at the forthcoming Annual General Meeting on 26 April 2016 translates to 35% of the Group's profit.

BUSINESS UPDATE

During the reporting financial year, the Civil Engineering segment competently managed our two major projects, namely the Changi Airport project and Maxwell MRT Station project. These projects successfully showcased the Group's competence in handling large scale and complex schemes. With the MRT and various infrastructure projects in the pipeline, we will continue to ride on our core competency and work with strategic partners to selectively bid for infrastructure projects in Singapore. In FY2015, we substantially completed the joint venture project, Jalan Gali Batu Depot, which we secured in March 2009. A new contract valued at about \$137.4 million was awarded by the Land Transport Authority to Hock Lian Seng Infrastructure in January 2015 for the Design and Construction of the Rail Stabling Yard nearby. Our other joint venture project, The Skywoods, experienced improved sales during the year, and was about 97% completed and 85% sold as at 31 December 2015.

The Group was also conferred recognition under the "Best Under a Billion" listing in June 2015 by Forbes Asia. The Group was one of the six Singapore public companies out of

an initial list of 17,000 others. The list honours leading public Asian companies with revenues between US\$ 5 million and US\$ 1 billion.

Moving ahead, the property development sector of Singapore looks set to remain sluggish amidst rising interest rates and uncertainties in the global economy. In this aspect, the Group will continue to source for new projects prudently and to explore other opportunities.

On the other hand, the local construction demand for public sector remain strong. Singapore has several large public transport infrastructure projects in the pipeline, including the Thomson-East Coast MRT Line and the construction of the North-South Expressway, the development of Terminal 5 at Changi Airport.

In view of these opportunities, the Group will strive to acquire projects that are in line with our growth strategy. We will continue to leverage on our core competencies and track records, and endeavour to further expand our capabilities, to grow our order book and boost our earnings.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, we would like to express our appreciation to Mr. Chua Hua Hong, who has stepped down as Executive Director on 15 December 2015, for his guidance and contribution to the Group during his tenure with the Company. At the same time, we would like to welcome Ms. Chua Siok Peng in assuming the Executive Director role on the same date. We look forward to working together with Ms. Chua in steering the Group towards greater heights.

Separately, we would like to thank our directors, management and staff for their hard work and dedication towards the Group. Last but not least, we would like to extend our gratitude to our customers, business partners and valued shareholders for their unwavering support and faith over the years.

ONG SEH HONG

Independent Non-executive Chairman

CHUA LEONG HAI

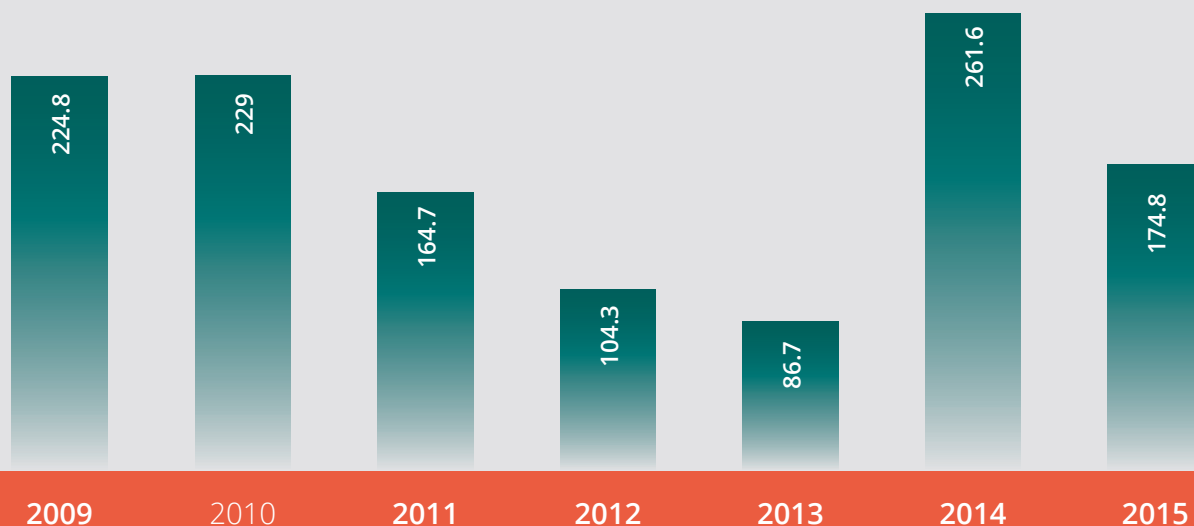
Executive Director and CEO



Financial Highlights

REVENUE & NET PROFIT

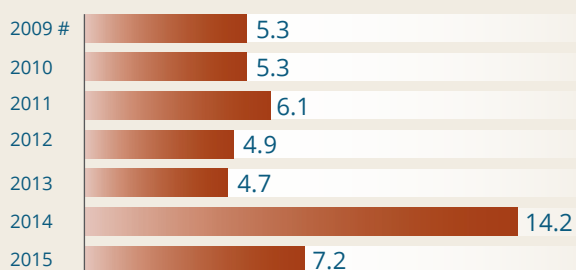
Revenue
S\$ Million



PER SHARE DATA

Cents

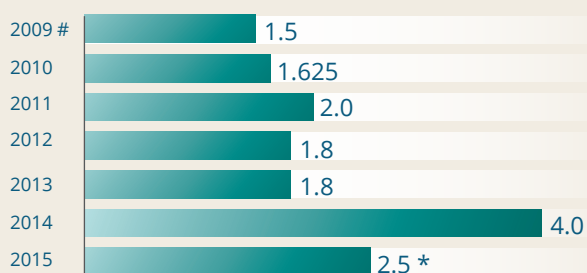
Basic
Earnings
per Share



Net
Tangible
Assets
per Share



Dividend
per share

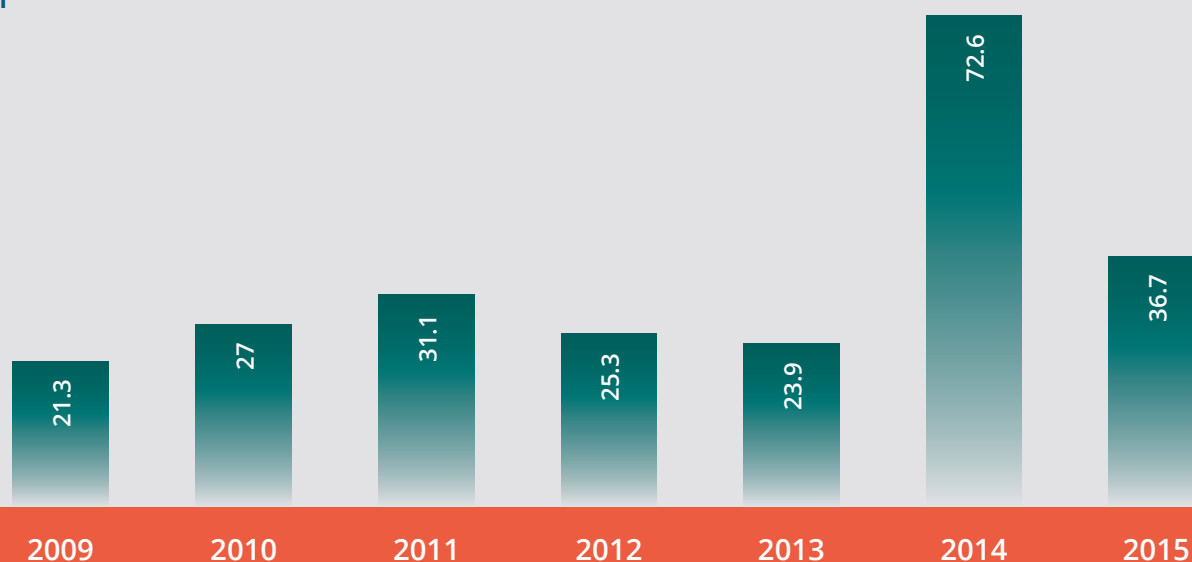


The Group was listed in December 2009, the weighted average number of ordinary shares for year 2009 was 404,294,000 shares

* Proposed dividend for FY2015

Net Profit

\$ Million



FINANCIAL POSITIONS

\$ in million

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Current Assets	186.7	195.1	243.2	399.9	344.3	354.7	292.6
Non-current Assets	12.0	21.8	32.0	38.2	33.8	44.3	48.9
Current Liabilities	124.5	126.8	163.0	172.2	198.6	192.4	104.4
Non-current Liabilities	–	0.7	–	138.7	37.6	1.2	15.5
Equity Attributable to Shareholders	74.2	89.4	112.2	127.2	141.9	205.4	221.6

CASH FLOW STATEMENT

\$ in million

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Net cash generated from / (used in) operating activities	76.8	34.6	31.8	(186.9)	29.0	110.7	13.6
Net cash used in investing activities	(9.1)	(5.0)	(10.7)	(8.9)	(12.1)	(6.9)	(12.3)
Net cash (used in) / generated from financing activities	24.7	(7.6)	(8.4)	128.6	(25.7)	(41.1)	(9.9)
Net increase / (decrease) in cash and cash equivalent	92.4	22.0	12.7	(67.2)	(8.8)	62.7	(8.6)
Cash and cash equivalent at beginning of year	51.1	143.5	165.5	178.2	111.6	102.8	165.5
Cash and cash equivalent at end of year	143.5	165.5	178.2	111.8	102.8	165.5	156.9

Operations and Financial Review

REVENUE AND EARNINGS

Revenue (external sales)

In \$' million	FY 2015	%	FY 2014	%
Civil Engineering	77.4	44.3	57.4	21.9
Property Development	89.5	51.2	193.5	74.0
Investment Properties	7.9	4.5	10.7	4.1
	174.8	100.0	261.6	100.0

Revenue decreased by \$86.8 million (33%) to \$174.8 million for the current financial year, mainly attributed to the 54% drop in the revenue from the Property Development segment. Ark@KB which was completed and fully recognised in 2015 was a much smaller project compared to the Ark@Gambas which was recognised in FY2014. The decrease in the revenue for Property Development segment was partially offset by the higher revenue from the Civil Engineering. As the construction of the Maxwell station and Airport project has picked up in 2015 and the construction for Stabling Yard at Gali Batu has commenced in 2015. The revenue from Investment property segment was mainly rental income from workers' dormitory, revenue was lower as the dormitory has ceased operation in November 2015 due to lease expiry.

Gross Profit

In \$' million	FY 2015	FY 2014
Civil Engineering	11.0	37.5
Property Development	22.3	52.6
Investment Properties	5.4	7.4
	38.7	97.5

Gross profit decreased by \$58.8 million (60%) to \$38.7 million for FY2015. The lower gross profit was attributed to lower revenue of Property development segment and lower gross margin from the existing projects from Civil Engineering segment.

Other income increased by \$2.1 million (79%) to \$4.7 million, which was mainly due to the higher interest income of \$1.3 million.

Distribution cost reduced by \$0.6 million to \$0.3 million in FY2015, in line with lower sales from Property Development segment.

Administrative expenses was \$0.8 million (12%) lower than previous year due to the lower performance bonus accrued in line with the drop in profit, partially offset by the higher staff cost.

The decrease in the fair value of investment properties was mainly related to the fair value loss on the workers' dormitory. The workers' dormitory had been demolished in 4th quarter 2015.

The share of result of joint venture was \$8.0 million, compared to \$43,000 recorded for FY2014. This was mainly due to the increased sales and further progress in the construction works for the Skywoods project. The construction of the project is about 97% completed and 85% sold as end of December 2015. This private residential project is recognised using percentage of completion method.

Profit before taxation decreased by \$45.0 million to \$42.4 million, resulting mainly from the lower revenue from Property Development segment and lower gross margin for Civil Engineering segment, partially offset by the higher profit sharing from the joint venture in the residential development project.

FINANCIAL POSITION AND CASH FLOW REVIEW

As a result of current profits offset by the dividend payment, the Group shareholders' funds increased by \$16.2 million to \$221.6 million as at 31 December 2015.

The Group has a net current asset of \$188.2 million as at 31 December 2015, an increase by \$25.9 million.

Cash and short term deposits decreased by \$8.6 million to \$156.9 million as at 31 December 2015. The decrease was mainly due to the dividend payment of \$20.4 million and repayment of bank loans of \$5 million, additional \$6.0 million loan to a joint venture for the funding of the marketing cost of The Skywoods and about \$7.9 million outflow for investment in held-to-maturity securities and acquisition of plant and equipment, offset by the cash generated from operating activities mainly arising from TOP of Ark@KB of \$15.2 million and proceeds from bank loan of \$15.5 million for the Tuas site.

Board of Directors

ONG SEH HONG

Ong Seh Hong is our independent Non-Executive Chairman. Dr Ong was appointed as Director on 23 September 2011 and as Non-executive Chairman on 1 June 2013.

Dr Ong is currently a practising psychiatrist. Prior to this, Dr Ong was the clinical director and chief operating officer of the Ren Ci Hospital & Medicare Centre, Ren Ci Community Hospital and vice president (corporate services) of GIC Special Investments Private Limited, a unit of the Government of Singapore Investment Corporation. He was a Member of Parliament from 2001 to 2011.

Dr Ong holds a Bachelor of Medicine and Bachelor of Surgery (MBBS) and a Master of Science in Applied Finance from the National University of Singapore. He is a member of the Royal College of Psychiatrists in the United Kingdom and a fellow of The Academy of Medicine, Singapore.

Dr Ong is currently serving as an Independent Director of Dyna-Mac Holdings Ltd, Zhongmin Baihui Retail Group Holdings Ltd and MoneyMax Financial Services Ltd, which are listed on the Singapore Exchange.

CHUA LEONG HAI

Chua Leong Hai PBM is our Executive Director and CEO. He is the founder of our Group. Mr Chua has more than 40 years of experience in civil engineering works in Singapore and has led the Group in undertaking infrastructure projects in Taipei and Shanghai in the 90's. He has also involved in real estate investment and development in Malaysia and Indonesia. Mr Chua is responsible for the overall management, formulation of business plans, strategic positioning and business expansion of our Group.

KEE GUAN CHUA

Kee Guan Chua was appointed on the board on 26 March 2012 as Executive Director. Mr Kee heads our Contracts and Tenders Department. He has been with our Group since 1983 and his current responsibilities include estimating project cost, project tenders, sourcing for building materials, evaluation and procurement of contracts for supply and sub-contracting works and variations. Prior to joining our Group, Mr Kee had worked as a technician with the Ministry of the Environment, Singapore (now known as Ministry of the Environment and Water Resources) and PSA and as an assistant quantity surveyor with QS Partnership for approximately 10 years. He has vast experience in site investigations and surveys, preparation of drawings and tender documents. He obtained a Technician Diploma in Building from the Singapore Polytechnic in 1978.

DAVID CHEW TUAN DONG

David Chew Tuan Dong is our Deputy Chief Executive Officer and was appointed on the Board on 8 August 2014. He joined the Group in December 2013. He is responsible to identify and develop new opportunities for the Group and for the overall management of the development and construction projects. Mr Chew has more than 30 years of experience in the civil engineering and building industry, having worked in Singapore, Malaysia, Taiwan and India. He graduated with a Bachelor of Science in Civil Engineering degree (first class honour) from University of Strathclyde, Master of Science in Civil Engineering from the National University of Singapore, and Graduate Diploma in Financial Management from the Singapore Institute of Management. He is also a registered Professional Engineer in Singapore, a registered Founding Member of Certified Project Manager (CPM), and a Senior Member of the Institution of Engineers Singapore.

CHUA SEY KOK

Chua Sey Kok joined the Group as Technical Director in July 2014 and was appointed on the Board on 8 August 2014. Mr Chua plays a strategic role in planning/development of the infrastructure business and provide guidance and leadership to the construction and tendering team.

He has more than 33 years of experience in the civil engineering and building industry, of which, he has over 17 years of experience in managing engineering teams in large scale infrastructure projects. He had worked in Singapore, China, Indonesia and Vietnam.

He holds a bachelor degree in Civil Engineering (Honours) and Master Degree in Science (Civil Engineering) from the National University of Singapore. He is also a registered professional engineer in civil engineering of the Singapore Professional Engineers Board.

CHUA SIOK PENG

Chua Siok Peng joined the Group in November 2012 was appointed on the board on 15 December 2015. She is the Deputy Head of the Property Development division and is also in charge of business development. Her responsibilities extend from reviewing opportunities and studying feasibilities in property development, to the day-to-day management and marketing of projects. Siok Peng is a UK registered professional architect with extensive work experience in both UK and Singapore. She holds a Bachelor of Arts (Architecture) from National University of Singapore and a Graduate Diploma in Architecture from The Bartlett School, University College London (2000). She completed reading for the degree of Master of Business Administration in National University of Singapore in 2015 and the degree will be conferred in July 2016.

Board of Directors

KOH LIAN HUAT

Koh Lian Huat is our Independent Director and was appointed to the Board on 30 November 2009. He was a partner in charge of statutory audit in Huat Associates from 2007 to 2010. From June 2004 to November 2007, he was a sole proprietor in Huat Associates. From January 2004 to December 2004, Mr Koh was a consultant in Ng, Lee & Associates-DFK, a leading accounting firm which was established in 1948 and a partner in charge of statutory audit in the same firm from January 2000 to December 2003. From September 1982 to December 1999, Mr Koh was a sole proprietor in Koh Lian Huat & Co.

He has extensive experience in the building industry and the real-estate development industry. From 1976 to 1998, Mr Koh was a director of Lian Seng Construction Pte. Ltd., a civil engineering company. From 1969 to 1984, he was a director of Lee Realty (Pte) Limited, a real-estate developer. From 1983 to 1984, Mr Koh was also a secretary in Lee Kim Tah Holdings Ltd., a company which was admitted to the Official List of the SGX-ST in 1984 and which is involved in property businesses, including property development and investments, construction and project management, as well as retail management. In addition, from 1972 to 1984, Mr Koh was a director and secretary of Lee Development (Private) Limited, a company which was engaged in property development and investment, construction and project management.

Mr Koh is a Justice of the Peace appointed by the President of Singapore. He was also conferred Singapore's National Day Awards: PBM, BBM and BBM (L) in 1985, 1993 and 2007 respectively. He is an appointed mediator assisting the State and Family Justice Courts in dealing with cases of Magistrate's complaints and maintenance disputes. Mr Koh graduated with a Bachelor of Commerce (Accountancy) from the then Nanyang University, Singapore in 1965. He is also a fellow member of the Association of Chartered Certified Accountants since 2006, a fellow member of CPA Australia since 2004, a fellow member of the Institute of Singapore Chartered Accountants since 2004, an honorary advisor of the Chartered Management Institute, UK (Singapore Branch) and a committee member of the Nanyang Technological University Alumni Club Management Committee.

Mr Koh is currently also an independent director of Zhongmin Baihui Retail Group Holdings Ltd, a listed company on the Singapore Exchange.

KHOR POH HWA

Khor Poh Hwa is our Independent Director and was appointed to the Board on 30 November 2009. Mr Khor has extensive experience in infrastructure development projects in transportation, civil engineering and buildings. Mr Khor joined the former Singapore Public Works Department (now CPG Corporation Pte. Ltd.) in 1975 after graduating from the National University of Singapore.

Mr Khor led the corporatisation of Singapore Public Works Department in 1999 and became the Chief Executive Officer of the new entity, CPG Corporation Pte. Ltd. He retired from CPG Corporation Pte Ltd in 2005 and served as its senior adviser until 2008. From 1995 to 1997, he was seconded to the China- Singapore Suzhou Industrial Park Development Co. Ltd. as the Deputy Chief Executive Officer to take charge of the physical development of 70 square kilometres of the park, a flagship project between the governments of Singapore and China.

Mr Khor was previously a member of the Asia Pacific Economic Co-operation (APEC) Business Advisory Council, the Singapore-British Business Council, the Singapore-Shandong Business Council and the Network China Steering Committee. He was also the past President of the Society of Project Managers, Singapore and the Singapore-China Suzhou Club. Mr Khor graduated in 1975 from the then Singapore University with a Bachelor of Engineering (Civil) and subsequently obtained a Master of Science (Civil Engineering) and Professional Engineering (Civil) from the National University of Singapore in 1980.

He is currently a Non-Executive Director of Keppel Telecommunications & Transportation Ltd.

Executive Officers

DANIEL TAY CHIN KWANG

Daniel Tay Chin Kwang is one of the Heads of our Construction and Engineering Department. He joined our Group in April 2003 and was appointed as a Director for Hock Lian Seng Infrastructure Pte Ltd on 1 November 2012. He is responsible for the tendering exercise, subcontract negotiation, budget control, resources planning, project and technical management of the infrastructure works undertaken by our Group. Since joining our Group, he has successfully completed the Kim Chuan Depot, which is one of the largest underground depots in the world, the Marina Bay Station and the Design & Construction of Gali Batu Depot for Downtown Line. He has kick-started the CED Programme co-funded by BCA and has collaborated with NUS to develop the Company Project Management Handbook that was completed and officially launched in January 2012. He was also involved in overseeing some private developments embarked by our Group. He garnered extensive experience in building works prior to his venture in infrastructure works. He has 20 over years of experience in the construction industry. Mr Tay graduated from the National University of Singapore with a Bachelor of Engineering (Civil) and subsequently attained a Master of Science (International Construction Management) from Nanyang Technological University. He is a member of the Institution of Engineers Singapore, Geotechnical Society Of Singapore and the Tunnelling and Underground Construction Society (Singapore).

FONG KAM WAI

Fong Kam Wai is one of our Heads of our Construction and Engineering Department, and a Project Manager. He was appointed as a Director for Hock Lian Seng Infrastructure Pte Ltd on 1 November 2012. He joined our Group in October 1985. He is responsible for the overall planning and coordination of projects, ensuring the projects completion within allocated budget and is in charge of schedule and quality standards. Since joining our Group, he has been involved in the Changi Airport Terminal 3 Project and Sungei Serangoon Bridge Project. He is the project manager of the Marina Coastal Expressway Project. He has extensive experience in the field of engineering and construction works. Mr Fong holds a Bachelor of Engineering from the National University of Singapore in 1985.

THOMAS KHONG TIONG GHEE

Thomas Khong Tiong Ghee is our Senior Contracts Manager. He is responsible for Contract administration which involves reviewing of contract documents, preparing contract and joint venture agreements, drafting correspondences to Clients and contractual parties on contractual issues, contractual claims submission to Clients, management and resolution of disputes with Clients and contractual parties and providing general contractual advices to our project managers. In addition, he reviews documents for sale of property and land biddings. With more than 30 years' experience and equipped with legal training, he has been able to provide contractual frameworks and legal supports for our Contracts Department. He is a Fellow of Chartered Institute of Building (FCIOB) and holds a Diploma in Building from the Singapore Polytechnic and Bachelor of Law (Hons) from the University of Wolverhampton.

CHOO KET WENG

Choo Ket Weng joined our Group in March 2009 as Project Manager and works on our joint venture design-and-build project at LTA Contract 911 Design & Construction of Depot for Downtown Line. He is responsible for the planning and execution of the project. This project attained Temporary Occupation Permit (TOP) seven months ahead of schedule. Mr Choo will continue to lead another design-and-build project at LTA Contract C9061 Design and Construction of Stabling Yard at Gali Batu Depot. Mr Choo has varied experience in infrastructure and building works and has worked in Malaysia, Indonesia, Thailand and Singapore. Mr Choo graduated from Portsmouth University England in 1979 with a Bachelor of Science in Civil Engineering.

CHUA HUA HONG

Chua Hua Hong is the Deputy General Manager (Logistics) of Hock Lian Seng Infrastructure Pte Ltd. He is primarily responsible for the management of our workers as well as the purchasing, deployment and maintenance of our plant and equipment. He has extensive experience in the field of civil engineering, especially in procurement of machinery, building materials and labour for construction works. He was with our Group from 1975 to 1980, and from 1985 to the present.

ANG KWEE HONG

Ang Kwee Hong is our Contract Manager. She joined our Group as a quantity surveyor from 1991 to 2005 and was primarily responsible for tender works, negotiating pre-contracts and post-contracts and the administration of Hock Lian Seng Infrastructure Pte Ltd. She was appointed as the Contract Manager of our Group in 2006. Ms Ang obtained a Technician Diploma in Building from the Singapore Polytechnic in 1982.

CHONG LEE YIN

Chong Lee Yin is our CFO. She joined our Group in March 2008. She is responsible for the accounting, financial and tax related matters of our Group. She has about 20 years of financial and accounting experience working for companies in the chemical and construction industries. She graduated from the National University of Singapore with a Bachelor of Accountancy and is a member of the Institute of Singapore Chartered Accountants.

Corporate Information

BOARD OF DIRECTORS

Ong Seh Hong (Chairman)
 Chua Leong Hai
 Chew Tuan Dong
 Chua Siok Peng
 Kee Guan Chua
 Chua Sey Kok
 Khor Poh Hwa
 Koh Lian Huat

AUDIT AND RISK MANAGEMENT COMMITTEE

Koh Lian Huat (Chairman)
 Khor Poh Hwa
 Ong Seh Hong

NOMINATING COMMITTEE

Khor Poh Hwa (Chairman)
 Koh Lian Huat
 Ong Seh Hong
 Chua Leong Hai

REMUNERATION COMMITTEE

Ong Seh Hong (Chairman)
 Khor Poh Hwa
 Koh Lian Huat

BOARD SAFETY COMMITTEE

Khor Poh Hwa (Chairman)
 Koh Lian Huat
 Ong Seh Hong

COMPANY SECRETARY

Chew Kok Liang

REGISTERED OFFICE

80 Marine Parade Road
 #21-08 Parkway Parade
 Singapore 449269
Website: www.hlsgroup.com.sg
Email: info@hlsgroup.com.sg

SHARE REGISTRAR

B.A.C.S. Private Limited

8 Robinson Road
 #03-00 ASO Building
 Singapore 048544

INDEPENDENT AUDITOR

Ernst & Young LLP

Public Accountants and Chartered Accountants
 One Raffles Quay
 North Tower, Level 18
 Singapore 048583
 (Partner-in-charge: Lim Tze Yuen
 appointed since financial year ended 2015)

PRINCIPAL BANKERS

United Overseas Bank Limited
Oversea-Chinese Banking Corporation Limited
Malayan Banking Berhad
Hong Kong Shanghai Banking Corporation Limited
Bank of Singapore Limited

COMPANY REGISTRATION NUMBER

200908903E

Corporate Governance Report

The Board of Directors (“**Board**”) and the management (“**Management**”) of Hock Lian Seng Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) are committed to achieve good standard of corporate governance and business conduct in order to protect the interest of shareholders.

This report sets out the Company’s corporate governance practices and activities in respect of the financial year ended 31 December 2015 (“**FY2015**”) in relation to each of the principles of the Singapore Code of Corporate Governance 2012 (the “**Code**”), and where applicable, the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). The Company seeks to comply with the best practices as outlined in the Code where applicable, feasible and practical to the Group unless otherwise specified.

Board of Directors

The Board’s Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and the Management remains accountable to the Board.

As the date of this report, the Board comprises five executive Directors, three non-executive independent Directors. They are:-

Name of Director	Appointment	Date of appointment / Date of last re-election	Current Directorships in other listed companies and other major appointments	Past Directorships in other listed companies and major appointments over the preceding 3 years
Ong Seh Hong	Independent Non-Executive Chairman (since 1 June 2013) Chairman-Remuneration Committee (“ RC ”) Member- Audit and Risk Management Committee (“ ARMC ”), Nominating Committee (“ NC ”) & Board Safety Committee (“ BSC ”)	23 Sep 2011 / 24 Apr 2014	Director - (1) Dyna- Mac Holdings Ltd (2) MoneyMax Financial Services Ltd (3) Zhongming Baihui Retail Group Holdings Ltd Senior Consultant Psychiatrist - Alexandra Healthgroup	Member of Parliament (2001-2011)
Chua Leong Hai	Executive Director and Chief Executive Officer (“ CEO ”)	20 May 2009 / 28 Apr 2015	Nil	Nil
Chew Tuan Dong David	Executive Director and Deputy CEO	8 Aug 2014 / 28 Apr 2015	Nil	Nil
Chua Siok Peng*	Executive Director	15 Dec 2015 / N.A.	Nil	Nil

* Chua Siok Peng was appointed on the Board on 15 December 2015

Corporate Governance Report

Name of Director	Appointment	Date of appointment / Date of last re-election	Current Directorships in other listed companies and other major appointments	Past Directorships in other listed companies and major appointments over the preceding 3 years
Koh Lian Huat	Independent Director Chairman- ARMC Member- NC, RC and BSC	30 Nov 2009 / 28 Apr 2015	Director - Zhongming Baihui Retail Group Holdings Ltd	Nil
Khor Poh Hwa	Independent Director Chairman- NC and BSC Member- ARMC and RC	30 Nov 2009 / 28 Apr 2015	Non-Executive Director- Keppel Telecommunications & Transportation Ltd	Non-Executive Chairman and Director of Keppel Infrastructure Fund Management Pte Ltd (resigned in 2015) Director-Keppel Land Limited (resigned in 2012)
Kee Guan Chua	Executive Director	26 Mar 2012 / 28 Apr 2015	Nil	Nil
Chua Sey Kok	Executive Director	8 Aug 2014 / 28 Apr 2015	Nil	Nil
Chua Hua Hong#	Executive Director	15 Sep 2009 / 24 Apr 2014	Nil	Nil

Chua Hua Hong resigned from the Board on 15 December 2015.

Role of the Board

The Board's primary role is to protect and enhance long-term shareholder value by establishing a framework of prudent and effective controls in managing risks. To fulfill this role, the Board is responsible for the overall corporate governance of the Group including setting its strategic direction, establishing goals for the Management and monitoring the achievement of these goals. As part of its responsibility in discharging its duty, the Board also performs the following roles:-

- reviewing the performance of management by establishing management's goals and monitoring the achievement of those goals;
- setting the Company's values and standards (including ethical standards) to uphold good corporate governance; and
- ensuring that obligations to shareholders and other stakeholders are understood and met in order to achieve sustainability.

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries in the interest of the Company.

Matters Requiring Board Approval

The Board's approval is required for decisions involving areas such as strategic plans, key operational initiatives, material acquisition and disposal of assets, capital-related matters including financial re-structure, market fund-raising, share issuances, interim dividends and any investment or expenditures exceeding set material limit.

While matters relating in particular to the Company's objectives, strategies and policies require Board's direction and approval, the Management is responsible for the day to day operation and administration of the Company in accordance with the objectives, strategies and policies set by the Board.

Corporate Governance Report

Director Orientation and Training

All Directors have many years of corporate experience and are familiar with their duties and responsibilities as Directors. Upon appointment, each Director will receive a letter of appointment explaining his duties and obligations as a member of the Board. In addition, orientation briefings are arranged for newly appointed Directors to familiarize them on the business activities of the Group and its strategic directions, as well as their duties and responsibilities as Directors. The Board is also kept abreast regularly on new laws, regulations and commercial developments by the Management and its appointed professionals. The Chairman will make the necessary arrangements for the briefings, informal discussions or explanations required.

In addition, the Directors of the Company are encouraged to attend appropriate or relevant courses, conferences and seminars conducted by professional organisations. The Company may fund the appropriate training and development programmes for the Directors. The Board has received updates on changes in listing rules, regulatory requirements, corporate governance guidelines and best practices on regular basis.

Board Processes

To assist the Board in the discharge of its responsibilities, the Board has established four Committees namely, the Audit and Risk Management Committee ("ARMC"), the Remuneration Committee ("RC"), the Nominating Committee ("NC") and the Board Safety Committee ("BSC"). These committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis.

The schedule of all Board and Board Committee meetings for a calendar year is usually given to all Directors well in advance. Besides the scheduled quarterly Board meetings, the Board meets on an ad-hoc basis as warranted by particular circumstances. Board meetings will be convened when they are deemed necessary, to review the Group's operations, conduct strategic review of the business affairs and address other specific significant matters that arise. The Company's Constitution provides for meetings of the Directors to be held by means of telephone conference or other methods of simultaneous communication by electronic or telegraphic means. The Board also approves transactions through circular resolutions which are circulated to the Board together with all relevant information to the proposed transaction.

The agenda for meetings is prepared in consultation with the Non-Executive Chairman and the Chief Executive Officer ("CEO"). The agenda and documents are circulated in advance of the scheduled meetings. The Board and Board Committee meetings held during the financial year and the attendance of Directors at the meetings are set out as follows:

	Board	Audit and Risk Management Committee	Nominating Committee	Remuneration Committee	Board Safety Committee
Number of Meetings Held	4	4	1	1	1
	Attendances				
Ong Seh Hong	4	4	1	1	1
Chua Leong Hai	4	-	1	-	-
Chew Tuan Dong David	4	-	-	-	-
Chua Sey Kok	4	-	-	-	-
Chua Hua Hong#	4	-	-	-	-
Chua Siok Peng*	4	-	-	-	-
Kee Guan Chua	4	-	-	-	-
Koh Lian Huat	4	4	1	1	-
Khor Poh Hwa	3	3	1	1	1

Chua Hua Hong resigned from the Board on 15 December 2015.

* Chua Siok Peng was appointed on the Board on 15 December 2015, she was invited and has attended all board meetings in FY2015.

Corporate Governance Report

Board Composition and Guidance

Principle 2: There should be a strong independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

As at the date of this report, the Board currently comprises 8 Directors of whom 3 are independent Directors. There is a fairly strong independent element on the Board, with independent Directors constituting approximately one-third of the Board.

The Board's composition, size and balance and independence of each non-executive Director will be reviewed by the NC annually and periodically where the changes in the operations warrant.

Assessment of Independence of Individual Director

Directors	Date of Appointment	Independence status under the code	Less than 10% interest (direct/ deemed)	¹ Independent relationship	Served on the Board for less than 9 years	² Immediate family relationship
Ong Seh Hong	23 Sep 2011	Yes	Nil	Yes	Yes	No
Chua Leong Hai	20 May 2009	No	No	No	Yes	Yes
David Chew Tuan Dong	8 Aug 2014	No	Nil	No	Yes	No
Chua Siok Peng	15 Dec 2015	No	Yes	No	Yes	Yes
Kee Guan Chua	26 Mar 2012	No	Yes	No	Yes	No
Chua Sey Kok	8 Aug 2014	No	Nil	No	Yes	No
Khor Poh Hwa	30 Nov 2009	Yes	Nil	Yes	Yes	No
Koh Lian Huat	30 Nov 2009	Yes	Nil	Yes	Yes	No

1. Relationship with the Company, its related corporations, its 10% shareholders or its officers

2. Immediate family relationship between the candidate and the directors, the Company or its 10% shareholders

The Board comprises of Directors who possess the core competencies, experience and knowledge in business, finance and management skills critical to the Group's business and that each Director brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

The Directors, having reviewed the composition of the Board, are satisfied that the present size and composition of the Board is effective for decision making.

Non-Executive and independent Directors of the Board exercise no management functions but have equal responsibility for the performance of the Group, the role of the non-executive and independent directors is particularly important in ensuring that the strategies proposed by the Management are constructively challenged, taking into account the long-term interests, not only of the shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business. The Independent Directors help to develop proposals on strategy and review the performance of Management in meeting agreed goals and objectives and monitor the reporting performance. When necessary, the Independent Non-Executive Director will meet and discuss on the Group's affairs without the presence of the Management.

The profiles of the Board are set out on and the "Board of Directors" section of the Annual Report.

To-date, none of the independent Directors of the Company has been appointed as Director of the Company's principal subsidiary, which is based in Singapore.

Corporate Governance Report

Chairman and CEO

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executive responsibility for managing the company's business. No one individual should represent a considerable concentration of power.

There is clear separation of responsibilities between the Chairman and the CEO, which ensures that there is an appropriate balance of power and authority, increased accountability and greater capacity of the Board for independent decision-making. The role of the Chairman is assumed by Dr Ong Seh Hong.

The Independent Non-Executive Chairman, amongst his other duties, schedules and chairs Board meetings and, with the assistance of the Company Secretary and Executive Directors, prepares Board agenda as well as controls the quality, quantity and timeliness flow of information between Management to the Board, promoting effective communication with the Company's shareholders. The Chairman is also responsible for the workings of the Board and ensures the integrity and promoting his standard of corporate governance with full support of the Directors and management.

Mr Chua Leong Hai is the CEO of the Company. He is the founder of the Group and has played an instrumental role in developing the business since its establishment. He has considerable industry experience and business network and has also provided the Group with strong leadership and vision. The CEO and Executive Directors, assisted by the various functional Directors and senior management, manage and are responsible for the Group's day-to-day operations and business.

Board Membership and Performance

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each Director to the effectiveness of the Board.

The NC comprises the following members, the majority of whom are independent and non-executive:-

Khor Poh Hwa	Chairman and Independent Director
Koh Lian Huat	Member and Independent Director
Ong Seh Hong	Member and Independent Director
Chua Leong Hai	Member and CEO

The principal functions of the NC include:-

- determining the process for search, nomination, selection and appointment of new board members and being responsible for assessing nominees or candidates for appointment or election to the Board, determining whether or not such nominee has the requisite qualifications and whether or not he/she is independent;
- determining, on an annual basis, if a Director is independent. If the Nominating Committee determines that a Director, who has one or more of the relationships mentioned under the Code is in fact independent, the Company will disclose in full, the nature of the Director's relationship and bear responsibility for explaining why he should be considered independent. The Nominating Committee may at its discretion determine a Director as non-independent even if he has no business or, other relationships with the Company, its related companies or its officers;
- recommending Directors who are retiring by rotation to be put forward for re-election, having regard to the Director's contribution and performance;
- reviewing and deciding whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple board representations and having regard to the competing time commitments that are faced by the Director when serving on multiple boards;
- assessing the effectiveness of the Board as a whole, its Board committees and assessing the effective contribution and commitment of each individual Director to the effectiveness of the Board. The results of the performance evaluation will be reviewed by the Chairman and the assessment shall be carried out annually;

Corporate Governance Report

- deciding how the Board's performance may be evaluated and propose objective performance criteria, subject to the approval of the Board, which allow for comparison with industry peers and which address how the Board has enhanced long-term shareholders' value; and
- reviewing and approving any new employment of related persons and the proposed terms of their employment.

The NC meets at least once a year and at other times as required. The Regulation 97 of the Constitution provides that at least one-third of the Directors shall retire from office and are subject to re-election at every Annual General Meeting ("AGM"). All Directors are required to retire from office at least once every three years. A newly appointed Director must also subject himself for retirement and re-election at the next AGM immediately following his appointment in accordance to the Regulation 101 of the Constitution. The shareholders approve the election of Board members at the AGM.

When selecting new Directors, the NC takes into consideration the skills and experience required and the current composition of the Board, and strives to ensure that the Board has an appropriate balance of independent Directors as well as Directors with the right profile of expertise, skills, attributes and experience.

Despite some of the Directors having multiple Board representations, the NC is satisfied that the Directors are able to and have adequately carried out their duties as Directors of the Company after taking into consideration the number of listed company Board representations and other principal commitments of these Directors. Currently, the NC did not determine the maximum number of listed Board representation which any Director may hold. The NC and the Board will review the requirement to determine the maximum number of listed Board representations as and when it deems fit.

Board performance

For FY2015, the NC evaluated the Board as a whole and its Board committees. The areas for the Board and Board committees' performance evaluation cover from Board Structure, Conduct of Meetings, Corporate Strategy and Planning and Risk Management to Internal Control. Although the Directors are not evaluated individually, the factors taken into consideration for the re-nomination of the Directors for the current year are based on the Directors' attendance at meetings held during the year and the contribution made by the Directors at the meetings.

The NC has reviewed and recommended the re-election of Mr Chua Leong Hai, Mr Koh Lian Huat and Dr Ong Seh Hong who are retiring under Regulation 97 of the Constitution and Ms Chua Siok Peng under Regulation 101 of the Constitution.

The NC in considering the re-nomination of any director, had considered factors including their performance in the Board as a whole, its Board Committees and individual performance including his attendance, preparedness, participation and contributions in the proceedings of the meetings.

Each member of the NC shall abstain from voting on any resolutions and making recommendations and/or participating in any deliberations of the NC in respect of his re-nomination as Director.

The key information regarding Directors such as academic and professional qualifications, board committees served, Directorships or chairmanships both present and past held over the preceding three years in other listed companies and other major appointments, whether the appointment is executive or non-executive can be found under Principle 1 and the "Board of Directors" section of the Annual Report.

Access to Information

Principle 6: In order to fulfill their responsibilities, Directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Directors are provided with Board papers and related materials, background or explanatory information in advance of each Board Meeting to enable them to be properly informed of matters to be discussed and/or approved, as well as ongoing reports relating to operational and financial performance of the Group. Directors are also informed of any significant developments or events relating to the Group. In addition, the Directors are entitled to request from Management such additional information as needed to make informed decisions. Management ensures that any additional information requested for is provided to the Directors in a timely manner.

Corporate Governance Report

Board members have separate and independent access to the Company's senior management and the Company Secretary at all times. The Company Secretary or his representative will attend all meetings of the Board and Board Committees and assists in ensuring that relevant procedures are followed and reviewed such that the Board and Board Committees operate effectively. The decision to appoint or remove the Company Secretary is made by the Board as a whole.

Should Directors, whether as a group or individually, need independent professional advice to enable them to discharge their duties, the Company, subject to the approval of the Board, will appoint a professional advisor to render advice at the cost of the Company.

Remuneration Matters

Procedures For Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

The RC comprises the following members, all of whom are independent non-executive Directors:-

Ong Seh Hong	Chairman and Independent Director
Khor Poh Hwa	Member and Independent Director
Koh Lian Huat	Member and Lead Independent Director

The principal responsibilities of the RC are set out in the terms of reference and its key functions include:-

- reviewing and recommending to the Board, a framework of remuneration and to determine the specific remuneration packages and terms of employment for Directors, the CEO, senior management of the Group and employees related to Directors or controlling shareholders of the Group;
- reviewing the service contracts of the executive Directors; and
- administering the HLS Employee Share Option Scheme and HLS Performance Share Plan.

The RC meets at least once a year and at other times as required. No Director is involved in deciding his own remuneration, except in providing information and documents if specifically requested by the RC to assist in its deliberations.

The RC's review covers all aspects of remuneration, including salaries, fees, allowances, bonuses and benefits-in-kind. The RC's recommendations are submitted for endorsement by the entire Board.

The RC members are knowledgeable in the field of executive compensation and also have access to expert advice from external consultants, where necessary.

In setting out the remuneration packages, the RC would take into consideration pay and employment conditions within the industry and in comparable companies. The remuneration packages should take into account the Company's relative performance and the performance of the individual Directors and key management personnel.

The Directors' fees to be paid for any one (1) year are submitted for shareholders' approval at the AGM.

In reviewing the service agreements of the executive Directors and key management personnel of the Company, the RC will review the Company's obligations arising in the event of termination of these service agreements, to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoids rewarding poor performance.

Level and Mix of Remuneration

Principle 8: The level and the structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

Corporate Governance Report

The objective of the Group's remuneration policy is to ensure that the level and structure of the remuneration are aligned with the long-term interests and risk policies of the Company, and that the remuneration is able to attract, retain and motivate the Board to provide good stewardship for the Company and Senior Management to successfully manage the Company and the Group as a whole.

Non-executive Directors are paid a fixed fee, taking into account the effort, time spent and responsibilities of each Non-Executive Director. The fees of Non-Executive Directors are subject to shareholders' approval at the AGM. Non-Executive Directors should not be over-compensated to the extent that their independence may be compromised and no Director is involved in deciding his own remuneration.

The Executive Directors do not receive Directors' fees. The remuneration packages of the Executive Directors are the key management personnel comprise primarily a basic salary component and a variable component which is the bonuses and other benefits. Having reviewed and considered the variable components of remuneration of the Executive Directors and key management personnel, which are moderate, the RC is of the view that there is no requirement to institute contractual provisions in the terms of employment to reclaim incentive components of their remuneration in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Group.

Disclosure of Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key management personnel, and performance.

Remuneration paid or accrued to Directors for FY2015 is as follows:-

	Fixed component ¹	Variable component ²	Directors' Fees	Total Compensation
	%	%	%	%
\$1,250,000 to \$1,500,000				
Chua Leong Hai	26	74	-	100
\$250,000 to \$500,000				
Chew Tuan Dong	71	29	-	100
Chua Sey Kok	75	25	-	100
Chua Hua Hong #	67	33	-	100
Chua Siok Peng *	67	33	-	100
Kee Guan Chua	61	39	-	100
Below \$250,000				
Khor Phor Hwa	-	-	100	100
Koh Lian Huat	-	-	100	100
Ong Seh Hong	-	-	100	100

notes:

1. Fixed component refers to base salary earned, allowances, benefits in kind and employer CPF.
2. Variable component refers to variable bonus, performance bonus and employer CPF.

Chua Hua Hong resigned from the Board on 15 December 2015

* Chua Siok Peng was appointed on the Board on 15 December 2015

In view of confidentiality of remuneration matters, the Board believes that it is in the best interests of the Company and the Group not to disclose the exact remuneration of the Directors in the annual report and the disclosure based on the above remuneration bands is appropriate.

Corporate Governance Report

Remuneration of the Key Management Personnel

Remuneration paid or accrued to the top six key executives FY2015 is as follows:-

	Fixed component ¹	Variable component ²	Total Compensation
	%	%	%
\$250,000 to \$500,000			
Chong Lee Yin	69	31	100
Daniel Tay Chin Kwang	73	27	100
Below \$250,000			
Ang Kwee Hong	71	29	100
Choo Ket Weng	78	22	100
Fong Kam Wai	73	27	100
Thomas Khong	86	14	100

Notes:

1. Fixed component refers to base salary earned, allowances, benefits in kind and employer CPF
2. Variable component refers to variable bonus, performance bonus and employer CPF

The aggregate of the total remuneration paid to the above key management personnel for FY2015 was \$1,292,000.

Remuneration of Employees related to Directors or the CEO

Save for Mr Chua Hua Hong as disclosed in the Key Management Personnel section, the employees who are immediate family members of Directors or CEO and whose remuneration exceeded \$50,000 are listed below:-

Remuneration Bands	Relationship to Directors or the CEO
\$150,000 to \$200,000	
Chua Hua Leong	Brother of Chua Leong Hai and uncle of Chua Siok Peng
\$50,000 to \$100,000	
Chua See	Brother of Chua Leong Hai and uncle of Chua Siok Peng

For financial year ended 31 December 2015, there were no termination, retirement and post-employment benefits granted to Directors, the CEO and the top key management personnel (who are not Directors or the CEO).

HLS Share-based Incentives

The Company has adopted a share option scheme known as the "HLS Employee Share Option Scheme" ("**Scheme**") and a performance share plan known as the "HLS Performance Share Plan" ("**Plan**"), both of which were approved at an Extraordinary General Meeting of the Company's then Shareholders held on 1 December 2009. The RC is responsible for the administration of the share-based remuneration plans.

Both the Scheme and the Plan will provide employees of the Group with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty.

Corporate Governance Report

The Plan and the Scheme are designed to complement each other in our Company's efforts to reward, retain and motivate employees to achieve better performance. The aim of implementing more than one incentive plan is to grant our Company the flexibility in tailoring reward and incentive packages suitable for each group of the Participants by providing an additional tool to motivate, reward and retain staff members so that our Company can offer compensation packages that are competitive.

Each of the Scheme and the Plan shall continue in force at the discretion of the Remuneration Committee subject to a maximum period of 10 years commencing on the date it is adopted by the Company in general meeting, provided always that it may continue beyond the above stipulated period with the approval of Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

The Company has not granted any Options or Awards since the date of approval of the Scheme and Plan. Accordingly, the disclosure requirements under Rule 852(1)(b), (c) and (d) of the SGX-ST Listing Manual are not applicable.

Accountability And Audit

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.

The Management will provide the members of the Board with management reports regularly. Such reports will keep the Board updated as well as enable the members to have a balanced and objective assessment of the Group's performance, position and prospects. The Management will also assist the Board to provide the Shareholders with a balanced and understandable assessment of the Group's performance, financial position and prospects via the issuance of the Company's annual reports and quarterly announcements of its financial results and disclosure of other relevant information of the Group.

All the Directors and executive officers of the Company also signed undertakings letter pursuant to the amended Rule 720(1) of the Listing Manual of SGX-ST.

Financial reports and other price-sensitive information are disseminated to shareholders through announcements via SGXNET, press release and/or posted on the Company's website. The Company's Annual Report is sent to all shareholders and accessible on the Company's website.

The Board is updated with significant events that have occurred or material to the Group during the year. The Management provides the Board with financial updates on the performance and position of the Group to keep Board members informed and updated on a monthly basis in order that it may effectively discharge their duties.

Risk Management And Internal Controls

Audit Committee

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The ARMC (Audit Committee was renamed to Audit and Risk Management Committee in 2012) comprises the following members, all of whom are independent non-executive Directors:-

Koh Lian Huat	Chairman and Lead Independent Director
Khor Poh Hwa	Member and Independent Director
Ong Seh Hong	Member and Independent Director

Corporate Governance Report

The Board has reviewed and is satisfied that the members of the ARMC are appropriately qualified to discharge their responsibilities, with Mr Koh Lian Huat having the requisite accounting or related financial management expertise or experience. The members of the ARMC are scheduled to meet to review the quarterly results before announcement and may meet at other times as when required. The functions of the ARMC include the following:-

- review with the external auditors the audit plan, their audit report, their management letter and our Management's corresponding response;
- review with independent internal auditors the internal audit plan and their evaluation of the adequacy of our internal controls;
- review the internal controls (including financial, operational and compliance controls and risk management policies and systems established by the Management) and procedures and ensure co-ordination between the external auditors and our Management, reviewing the assistance given by our Management to the auditors, and discuss problems and concerns, if any, arising from the audits, and any matters which the auditors may wish to discuss (in the absence of our Management where necessary);
- consider and recommend the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal of the auditors, review the independence and objectivity of the external auditors annually;
- review transactions falling within the scope of Chapter 9 and Chapter 10 of the Listing Manual (if any);
- review arrangements by which our staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting and to ensure that arrangement are in place for the independent investigations of such matter and for appropriate follow-up;
- commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Company's operating results and/or financial position; and
- determine the company's levels of risk tolerance and risk policies, and oversee Management in the design, implementation and monitoring of the risk management and internal control systems.

In July 2010, the SGX-ST and Accounting and Corporate Regulatory Authority ("**ACRA**") launched the "Guidance to Audit Committees on Evaluation of Quality of Work performed by External Auditors" which aims to facilitate the AC in evaluating the external auditors. Accordingly, the AC had evaluated the performance of the external auditors based on the key indicators of audit quality set out in the Guidance such as performance, adequacy of resources and experience of their audit engagement partner and auditing team assigned to the Group's audit, the size and complexity of the Group.

Annually, the ARMC meets with the external auditors, and with the internal auditors, without the presence of the Company's Management. ARMC members keep abreast of changes to accounting standards and important accounting issues with continuing education. In addition, the external auditors update the ARMC on the changes to accounting standards and issues which have a direct impact on financial statements to the Company.

The ARMC and the Board confirmed that in appointing the auditing firms for the Company, subsidiaries and significant associated companies, the Group has complied with Rules 712 and 715 of the Listing Manual issued by SGX-ST in relation to its auditors.

The ARMC has undertaken a review of all non-audit services provided by the external auditors during the financial year, and in the ARMC's opinion, the provision of these services does not impair the independence of the external auditors. The ARMC had recommended to the Board the re-appointment of Messrs Ernst & Young LLP as the external auditors of the Company at the forthcoming AGM.

The fees payable to auditors is separately disclosed in the audited financial statements in this Annual Report.

The Group has implemented a whistle-blowing policy. The policy aims to provide an avenue for employees to raise concerns about misconducts in the Group and at the same time assure them that they will be protected from victimization for whistle blowing in good faith. The ARMC will review any cases for significance and ensure adequacy and independence of investigation actions and resolutions.

Corporate Governance Report

Risk management

The Management regularly reviews its Group's business and operational activities and to identify areas of significant business risk as well as take appropriate measures to manage and mitigate these risks.

The ARMC reviews and guides Management in the formulation of risk policies and processes to identify, evaluate and manage significant risks. The Management reports to the ARMC on control policies and procedures and highlights all significant matters to the ARMC on regular basis. Risks arising from the Group's financial operations are separately disclosed in the audited financial statements of this Annual Report.

The Board Safety Committee was established in 2012 to oversee and monitor the establishment and maintenance of the safety practices and policies of the Group.

The Board Safety Committee comprises the following members, all of whom are independent non-executive Directors:-

Khor Poh Hwa	Chairman and Independent Director
Koh Lian Huat	Member and Lead Independent Director
Ong Seh Hong	Member and Independent Director

Internal Controls

The Board acknowledges that it is responsible for the overall internal control framework, but recognizes that no cost effective internal control system will preclude all errors and irregularities. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The ARMC is responsible for ensuring that a review of the adequacy of the Company's internal financial, operational and compliance controls, as well as risk management policies and systems established by the Management is conducted at least annually.

The Board has received assurance from the CEO and CFO:-

- a. that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
- b. the effectiveness of the Company's risk management and internal control systems.

Based on the risk management and internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by the Management, ARMC and the Board, the Board with the concurrence of the ARMC is of the opinion that the systems of the internal controls is adequate to address the financial, operational, compliance risks, information technology controls and risk management system were adequate and effective as at 31 December 2015.

Corporate Governance Report

Internal audit

Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Board recognizes the importance of maintaining an internal audit function to provide an independent assurance over the soundness of the system of internal controls within the Group to safeguard shareholders' investments and the Company's assets. The ARMC has the responsibility to review the adequacy of the internal audit function annually, review the internal audit program and ensure co-ordination between internal auditors, external auditors and Management, and ensure that the internal auditors meets or exceeds the standards set by nationally or internationally recognized professional bodies. The ARMC also reviews and approves the hiring, removal and evaluates its outsourced internal auditors.

The Group has outsourced its internal audit function to RSM Risk Advisory Pte Ltd (formerly known as RSM Ethos Pte Ltd). The Internal Auditor has adopted the Standards for Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The Internal Auditors primary reported to the ARMC Chairman.

The Internal Auditor plans its audit schedules in consultation with the Management and its plans are submitted to the ARMC for approval. The ARMC reviews and approves the internal audit plans and resources annually. Based on their review, the ARMC believes that the Internal Auditor is independent and has the appropriate standing to perform its functions effectively. Based on the information provided to the ARMC, nothing has come to the ARMC's attention to cause the ARMC to believe that the internal control system is inadequate.

Shareholder rights and responsibilities

Shareholder Rights and Communications with Shareholders

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company recognises the need to communicate with shareholders on all material matters affecting the Group and does not practice selective disclosure. Financial results and other material information are communicated to shareholders on equal and timely basis through SGXNET.

All the shareholders are entitled to receive the Annual Report together with the notice of Annual General Meetings by post, published in a newspaper and via SGXNET within the mandatory period. Besides that, all the shareholders also will receive the relevant circular together with the notice of Extraordinary General Meetings by post, published in a newspaper and via SGXNET.

In addition, all the shareholders may appoint maximum up to 2 proxies to attend, vote and question the Board and Management, for and on behalf of the shareholder whom are not able to attend the general meeting personally. Therefore, all the shareholders are given an opportunity to participate effectively and vote in general meeting.

The Company also communicates through its corporate website at <http://www.hlsgroup.com.sg> which provides shareholders with corporate announcements, press releases, annual reports and profile of the Group.

The Company does not have a fixed dividend policy. The dividend that the Board may recommend in respect of each financial year is subject to various factors such as the level of available cash, financial performance and projected capital expenditures and investment plans.

Corporate Governance Report

Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The AGM of the Company provides a principal forum for dialogue and interaction with shareholders. Members of the Board, including the chairman of the ARMC, NC and RC, and the Company's external auditors are present to address questions raised by shareholders at AGMs.

The Regulation provides for voting in person or by proxy at the AGMs of the Company.

Issues or matters requiring shareholders' approval are tabled in the form of separate and distinct resolutions for each substantially separate issue. Where the resolutions are interdependent and linked so as to form one significant proposal, the resolutions may be "bundled" but with an explanation from the Company of the reasons and material implications.

The Company prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management. These minutes are available to shareholders upon their request.

The Company's Constitution allows corporations and members of the Company to appoint one (1) or two (2) proxies to attend and vote at general meetings. A Relevant Intermediary¹ may appoint more than 2 proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified). An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

Resolutions are put to vote by poll and the detailed results of each resolution are announced via SGXNet after the general meetings.

Dealings in Securities

The Company has adopted an internal code on dealings in securities to govern dealings in its shares by the Directors and the employees of the Group. This internal code is made in compliance with Rule 1207(19) of the Listing Manual of the SGX-ST relating to dealings in securities and has been disseminated to the Directors and the employees of the Group informing them of the implications on insider trading.

The internal code prohibits the dealing in securities of the Company by Directors and employees while in possession of price-sensitive information, and during the period commencing two weeks before the announcement of the quarterly results or the period of one month in the case of the announcement of the full year results, and ending on the date of the announcement. Directors are required to report securities dealings to the Company and the necessary announcements are made as required. In addition, Directors and employees are reminded to observe insider trading rules at all times and not to deal with the Company's securities on short-term considerations.

¹ A Relevant Intermediary is:

- a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Corporate Governance Report

Material Contracts

Except as disclosed in the financial statements, there was no material contracts entered into by the Company or its subsidiaries, involving the interests of any Director or controlling shareholder subsisting at the end of the FY2015.

Interested Person Transactions

The Company has established procedures to ensure that transactions with interested persons are properly reviewed and approved and are conducted at arm's length basis.

The Company will seek a general mandate from its shareholders if necessary for those recurrent transactions of revenue or trading nature or those necessary for its day-to-day operations.

The aggregate value of the interested person transactions entered into during FY2015 is as follows:-

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)
Lian Seng Investment Pte Ltd -	\$'000	\$'000
Office lease expenses received / receivable from the Group	241	Nil
Total	241	

Use of Proceeds - update

The Company was admitted to the Official List of the SGX-ST on 21 December 2009 and raised net proceeds of \$25.6 million. The Group has fully utilized the net proceeds as at 30 June 2015.



HOCK LIAN SENG HOLDINGS LIMITED

2015 Financial Report

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Directors' Statement

The Directors are pleased to present their statement to the members together with the audited consolidated financial statements of Hock Lian Seng Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2015.

1. Opinion of the Directors

In the opinion of the Directors,

- (i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

The Directors of the Company in office at the date of this statement are:

Chua Leong Hai @ Chua Leang Hai
 Kee Guan Chua
 Koh Lian Huat
 Khor Poh Hwa
 Ong Seh Hong
 Chua Sey Kok
 Chew Tuan Dong
 Chua Siok Peng

3. Arrangements to enable Directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' Statement

4. Directors' interests in shares and debentures

The following Directors, who held office at the end of the financial year, had, according to the register of Directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

Name of Director	Direct interest		Deemed interest	
	At the beginning of financial year or date of appointment	At the end of financial year	At the beginning of financial year or date of appointment	At the end of financial year
<i>Hock Lian Seng Holdings Limited</i>				
Ordinary shares				
Chua Leong Hai @ Chua Leang Hai	193,871,547	193,871,547	42,118,037	42,118,037
Chua Siok Peng	5,869,532	5,869,532	-	-
Kee Guan Chua	450,000	450,000	-	-

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2016.

By virtue of Section 7 of the Singapore Companies Act, Cap. 50, Chua Leong Hai @ Chua Leang Hai is deemed to have interests in the shares held by the Company in its subsidiaries.

Except as disclosed in this report, no Director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

5. Share options

No share options have been granted by the Company since its incorporation.

Directors' Statement

6. Audit and Risk Management Committee

The Audit and Risk Management Committee ("ARMC") comprises the following three Independent Directors:

Koh Lian Huat (Chairman)
Khor Poh Hwa
Ong Seh Hong

The ARMC performs the functions in accordance with section 201B(5) of the Singapore Companies Act, Cap. 50, including the following:

- Reviews the audit plans of the internal and external auditors of the Group and the Company and reviews the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group's and the Company's management to the external and internal auditors;
- Reviews the quarterly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors;
- Reviews the adequacy and effectiveness of the Group's and the Company's material internal controls, including financial, operational, compliance and information technology controls and risk management systems via reviews carried out by the internal auditor;
- Meets with the external auditor, other committees and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the ARMC;
- Reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviews the cost effectiveness and the independence and objectivity of the external auditor;
- Reviews the nature and extent of non-audit services provided by the external auditor;
- Recommends to the board of directors the external auditor to be nominated, approves the compensation of the external auditor, and reviews the scope and results of the audit;
- Reports actions and minutes of the ARMC to the board of directors with such recommendations as the ARMC considers appropriate; and
- Reviews interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's ("SGX-ST's") Listing Manual.

The ARMC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The ARMC has also conducted a review of interested person transactions.

The ARMC convened four meetings during the year. The ARMC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the ARMC are disclosed in the Report on Corporate Governance.

Directors' Statement

7. Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the Board of Directors,

Chua Leong Hai @ Chua Leang Hai
Director

Chew Tuan Dong
Director

Singapore
31 March 2016

Independent Auditor's Report

To the Members of Hock Lian Seng Holdings Limited

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Hock Lian Seng Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 34 to 100, which comprise the balance sheets of the Group and the Company as at 31 December 2015, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
31 March 2016

Consolidated Income Statement

For the financial year ended 31 December 2015

(Amounts in Singapore dollars)

		Group	
	Note	2015	2014
		S\$'000	S\$'000
Revenue	4	174,762	261,613
Cost of sales		(136,012)	(164,064)
Gross profit		38,750	97,549
Other income	5	4,709	2,627
Distribution and selling costs		(265)	(942)
Administrative costs		(6,179)	(7,002)
Other operating costs		(2,636)	(4,836)
Share of results of joint ventures		8,012	43
Profit before taxation	6	42,391	87,439
Income tax expense	7	(5,691)	(14,819)
Profit for the year		36,700	72,620
Profit attributable to:			
Owners of the Company		36,700	72,620
Earnings per share (cents)			
Basic	8	7.2	14.2
Diluted	8	7.2	14.2

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2015

(Amounts in Singapore dollars)

	Group	
	2015	2014
	S\$'000	S\$'000
Profit for the year	36,700	72,620
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Net (loss)/gain on fair value changes of available-for-sale financial assets	(41)	12
Other comprehensive income for the year, net of tax	(41)	12
Total comprehensive income for the year	36,659	72,632
Total comprehensive income attributable to:		
Owners of the Company	36,659	72,632

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Balance Sheets

As at 31 December 2015

(Amounts in Singapore dollars)

	Note	Group		Company	
		2015	2014	2015	2014
		S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets					
Property, plant and equipment	9	8,902	7,893	-	-
Investment properties	10	3,350	4,350	-	-
Investments in joint ventures	13	5,265	30	-	-
Investments in subsidiaries	11	-	-	37,814	37,814
Investment securities	14	24,482	25,061	-	-
Deferred tax assets	26	6,897	6,978	-	-
		48,896	44,312	37,814	37,814
Current assets					
Contract work-in-progress	15	12,103	6,696	-	-
Development properties	16	46,710	73,520	-	-
Trade receivables	17	6,435	42,415	-	-
Other receivables	18	764	909	11,439	41,108
Amounts due from a joint venture partner	22	43	87	-	-
Amounts due from a joint venture	23	60,457	53,230	-	-
Prepayments and deposits	19	432	9,580	-	-
Investment securities	14	8,747	2,710	-	-
Cash and short term deposits	20	156,907	165,538	57,350	25,491
		292,598	354,685	68,789	66,599
Current liabilities					
Trade and other payables	21	50,827	61,318	1,491	4,319
Amounts due to a joint venture partner	22	32	109	-	-
Amounts due to a joint venture	23	6	-	-	-
Advance payment received for a construction project		-	8,318	-	-
Progress billings in excess of work-in-progress	15	1,828	3,108	-	-
Progress billings to customers for development projects		-	46,986	-	-
Provisions	24	45,388	45,376	-	-
Loans and borrowings	25	51	4,992	-	-
Provision for taxation		6,235	22,196	33	12
		104,367	192,403	1,524	4,331
Net current assets		188,231	162,282	67,265	62,268

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Balance Sheets

As at 31 December 2015

(Amounts in Singapore dollars)

		Group		Company	
	Note	2015	2014	2015	2014
		S\$'000	S\$'000	S\$'000	S\$'000
Non-current liabilities					
Other payables	21	–	1,227	–	–
Loans and borrowings	25	15,503	–	–	–
Deferred tax liabilities	26	–	3	–	–
		15,503	1,230	–	–
Net assets		221,624	205,364	105,079	100,082
Equity attributable to owners of the Company					
Share capital	27	58,956	58,956	58,956	58,956
Capital reserve	28	1,000	1,000	–	–
Fair value adjustment reserve	29	(41)	–	–	–
Accumulated profits		177,948	161,647	46,123	41,126
Merger deficit	30	(16,239)	(16,239)	–	–
Total equity		221,624	205,364	105,079	100,082

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

For the financial year ended 31 December 2015

(Amounts in Singapore dollars)

2015 Group	Attributable to owners of the Company					Total reserves	Total equity
	Share capital (Note 27)	Capital reserve (Note 28)	Fair value adjustment reserve (Note 29)	Accumulated profits	Merger deficit (Note 30)		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Opening balance at 1 January 2015	58,956	1,000	–	161,647	(16,239)	146,408	205,364
Profit for the year	–	–	–	36,700	–	36,700	36,700
<u>Other comprehensive income</u>							
Net loss on fair value changes of available-for-sale financial assets	–	–	(41)	–	–	(41)	(41)
Total comprehensive income for the year	–	–	(41)	36,700	–	36,659	36,659
<u>Contributions and distributions to owners</u>							
Dividends on ordinary shares (Note 32)	–	–	–	(20,399)	–	(20,399)	(20,399)
Total contributions by and distributions to owners	–	–	–	(20,399)	–	(20,399)	(20,399)
At 31 December 2015	58,956	1,000	(41)	177,948	(16,239)	162,668	221,624

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

For the financial year ended 31 December 2015

(Amounts in Singapore dollars)

2014 Group	Attributable to owners of the Company					Total reserves	Total equity
	Share capital (Note 27)	Capital reserve (Note 28)	Fair value adjustment reserve (Note 29)	Accumulated profits	Merger deficit (Note 30)		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Opening balance at 1 January 2014	58,956	1,000	(12)	98,207	(16,239)	82,956	141,912
Profit for the year	-	-	-	72,620	-	72,620	72,620
<u>Other comprehensive income</u>							
Net gain on fair value changes of available-for-sale financial assets	-	-	12	-	-	12	12
Total comprehensive income for the year	-	-	12	72,620	-	72,632	72,632
<u>Contributions and distributions to owners</u>							
Dividends on ordinary shares (Note 32)	-	-	-	(9,180)	-	(9,180)	(9,180)
Total contributions by and distributions to owners	-	-	-	(9,180)	-	(9,180)	(9,180)
At 31 December 2014	58,956	1,000	-	161,647	(16,239)	146,408	205,364

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

For the financial year ended 31 December 2015

(Amounts in Singapore dollars)

2015 Company	Share capital (Note 27)	Accumulated profits	Total equity
	S\$'000	S\$'000	S\$'000
At 1 January 2015	58,956	41,126	100,082
Profit, representing total comprehensive income, for the year	–	25,396	25,396
<u>Contributions by and distributions to owners</u>			
Dividends on ordinary shares (Note 32)	–	(20,399)	(20,399)
Total transactions with owners in their capacity as owners	–	(20,399)	(20,399)
At 31 December 2015	58,956	46,123	105,079

2014 Company	Share capital (Note 27)	Accumulated profits	Total equity
	S\$'000	S\$'000	S\$'000
At 1 January 2014	58,956	12,289	71,245
Profit, representing total comprehensive income, for the year	–	38,017	38,017
<u>Contributions by and distributions to owners</u>			
Dividends on ordinary shares (Note 32)	–	(9,180)	(9,180)
Total transactions with owners in their capacity as owners	–	(9,180)	(9,180)
At 31 December 2015	58,956	41,126	100,082

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Cash Flow Statement

For the financial year ended 31 December 2015

(Amounts in Singapore dollars)

	2015	2014
	S\$'000	S\$'000
Cash flows from operating activities		
Profit before taxation	42,391	87,439
Adjustments for:		
Allowance for doubtful receivables	34	–
Depreciation of property, plant and equipment	1,905	1,487
Dividend income from investment securities		
(Fair value through profit or loss and available-for-sale)	(93)	(101)
Gain on disposal of property, plant and equipment	(134)	(75)
Fair value loss on investment properties (net)	2,381	4,300
Fair value (gain)/loss on investment securities		
(Fair value through profit or loss)	(535)	279
Interest expense	3	–
Interest income	(3,496)	(2,198)
Share of results of joint ventures	(8,012)	(43)
Operating cash flows before changes in working capital	34,444	91,088
(Increase)/decrease in:		
Contract work-in-progress	(5,407)	(2,400)
Trade receivables	35,946	(24,350)
Development properties	25,429	84,354
Other receivables	198	349
Prepayments and deposits	9,148	(7,417)
(Decrease)/increase in:		
Trade and other payables and provisions	(9,161)	44,915
Progress billings in excess of work-in-progress	(1,280)	(25,434)
Progress billings to customers for development projects	(46,986)	(54,600)
Advance payment received for construction project	(8,318)	8,318
Cash flows generated from operations	34,013	114,823
Interest received – loans and receivables	1,175	1,252
Income tax paid	(21,573)	(5,345)
Net cash flows generated from operating activities	13,615	110,730

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Cash Flow Statement

For the financial year ended 31 December 2015

(Amounts in Singapore dollars)

	2015	2014
	S\$'000	S\$'000
Cash flows from investing activities		
Dividend income from investment securities	93	101
Increase in amounts due from a joint venture	(6,014)	(1,686)
(Increase)/decrease in amounts due from a joint venture partner	(27)	106
Proceeds from disposal of property, plant and equipment	215	331
Proceeds from maturity of investment securities (held-to-maturity)	–	3,501
Purchases of property, plant and equipment (Note A)	(2,895)	(2,383)
Purchases of investment securities (held-to-maturity)	(4,974)	(7,508)
Dividend received from a joint venture	–	75
Return of capital from a joint venture	25	–
Interest received – investment securities (held-to-maturity)	1,271	607
Net cash flows used in investing activities	(12,306)	(6,856)
Cash flows from financing activities		
Dividends paid on ordinary shares	(20,399)	(9,180)
Proceeds from bank loan	15,490	–
Repayment of bank loans	(4,992)	(31,934)
Repayment of obligation under finance lease	(39)	–
Net cash flows used in financing activities	(9,940)	(41,114)
Net (decrease)/increase in cash and cash equivalents	(8,631)	62,760
Cash and cash equivalents at the beginning of year	165,538	102,778
Cash and cash equivalents at the end of year (Note 20)	156,907	165,538

Note A: Property, plant and equipment

During the financial year, the Company acquired plant and equipment with an aggregate cost of S\$2,995,000 (2014: S\$2,383,000) of which S\$100,000 (2014: S\$Nil) were acquired by means of finance lease. Cash payments of S\$2,895,000 (2013: S\$2,383,000) were made to purchase the plant and equipment.

Notes to the Financial Statements

31 December 2015

1. Corporate information

Hock Lian Seng Holdings Limited (the "Company") is a limited liability company, which is incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The registered office and the principal place of business of the Company is located at 80 Marine Parade Road, #21-08 Parkway Parade, Singapore 449269.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries, joint operation and joint ventures are disclosed in Notes 11, 12 and 13 respectively.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars ("SGD" or "S\$") and all values are rounded to the nearest thousand ("S\$'000") as indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2015. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

Notes to the Financial Statements

31 December 2015

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective

The Group has not adopted the following standards that have been issued but not yet effective:

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to FRS 27 <i>Equity Method in Separate Financial Statement</i>	1 January 2016
Amendments to FRS 16 and FRS 38 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to FRS 111 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Improvements to FRSs (November 2014)	
(a) Amendments to FRS 107 <i>Financial instruments: Disclosures</i>	1 January 2016
(b) Amendments to FRS 19 <i>Employee Benefits</i>	1 January 2016
Amendments to FRS 1 <i>Disclosure Initiative</i>	1 January 2016
FRS 109 <i>Financial Instruments</i>	1 January 2018
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2018

Except for FRS 109 and FRS 115, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 109 and FRS 115 are described below.

FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

Notes to the Financial Statements

31 December 2015

2. Summary of significant accounting policies (cont'd)

2.3 *Standards issued but not yet effective*

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled to in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

2.4 *Functional and foreign currency*

The Group's consolidated financial statements are presented in SGD, which is also the Company's and its subsidiaries' functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

2.5 *Subsidiaries*

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment losses.

Notes to the Financial Statements

31 December 2015

2. Summary of significant accounting policies (cont'd)

2.6 Basis of consolidation and business combinations

A) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or accumulated profits, as appropriate.

B) Business combinations

Business combinations involving entities under common control are accounted for by applying the pooling of interest method which involves the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company.
- No adjustments are made to reflect the fair values on the date of combination, or recognise any new assets or liabilities.
- No additional goodwill is recognised as a result of the combination.
- Any difference between the consideration paid/transferred and the equity 'acquired' is reflected within the equity as merger deficit.
- The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place.
- Comparatives are restated to reflect the combination as if it had occurred from the beginning of the earliest period presented in the financial statements or from the date the entities had come under common control, if later.

Notes to the Financial Statements

31 December 2015

2. Summary of significant accounting policies (cont'd)

2.7 Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

a) Joint operations

The Group recognises in relation to its interest in a joint operation,

- (i) its assets, including its share of any asset held jointly;
- (ii) its liabilities, including its share of any liabilities incurred jointly;
- (iii) its share of the revenue of the joint operation; and
- (iv) its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the accounting policies applicable to the particular assets, liabilities, revenues and expenses.

b) Joint ventures

The Group account for its investments in joint ventures using the equity method from the date on which it becomes a joint venture.

Under the equity method, the investment in joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint ventures. The profit or loss reflects the share of results of the operations of the joint ventures. Distributions received from joint ventures reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and joint venture are eliminated to the extent of the interest in the joint ventures.

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the joint ventures are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Notes to the Financial Statements

31 December 2015

2. Summary of significant accounting policies (cont'd)

2.8 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.19. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Machinery and equipment	-	10 years
Motor vehicles	-	5 years
Office equipment	-	3 years
Furniture and fittings	-	10 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit or loss in the year in which the asset is de-recognised.

2.9 *Investment properties*

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held in order to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

Investment properties are initially measured at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Investment properties are de-recognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment properties only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.8 up to the date of change in use.

Notes to the Financial Statements

31 December 2015

2. Summary of significant accounting policies (cont'd)

2.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. Impairment losses are recognised in profit or loss.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.11 Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss exclude exchange differences, interest and dividend income.

Notes to the Financial Statements

31 December 2015

2. Summary of significant accounting policies (cont'd)

2.11 Financial assets (cont'd)

Subsequent measurement (cont'd)

(a) Financial assets at fair value through profit or loss (cont'd)

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

(b) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the profit or loss when the loans and receivables are de-recognised or impaired, and through the amortisation process.

(c) Available-for-sale financial assets

Available-for-sale financial assets comprise equity securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

(d) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the held-to-maturity investments are de-recognised or impaired, and through the amortisation process.

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or de-recognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

Notes to the Financial Statements

31 December 2015

2. Summary of significant accounting policies (cont'd)

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and fixed deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.13 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the profit or loss.

(b) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

Notes to the Financial Statements

31 December 2015

2. Summary of significant accounting policies (cont'd)

2.14 Construction contracts

The Group principally operates fixed price contracts. Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period (the percentage of completion method), when the outcome of a construction contract can be estimated reliably.

The outcome of a construction contract can be estimated reliably when:

- i) Total contract revenue can be measured reliably;
- ii) It is probable that the economic benefits associated with the contract will flow to the entity;
- iii) The costs to complete the contract and the stage of completion can be measured reliably; and
- iv) The contract costs attributable to the contract can be clearly identified and measured reliably so that actual costs incurred can be compared with prior estimates.

An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that related directly to a specific contract comprise: site labour costs (including site supervision); cost of materials used in construction; depreciation of equipment used on the contract; cost of designs and technical assistance that is directly related to the contract.

The stage of completion is measured by reference to professional surveys of work performed. In evaluating the stage of completion, the Group relies on past experience and the work of specialists.

2.15 Development properties

Development properties are properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for the Company's own use, rental or capital appreciation.

Development properties are held as inventories and are measured at the lower of cost and net realisable value.

The costs of development properties include:

- Leasehold rights for land;
- Amounts paid to contractors for construction, and
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Non-refundable commissions paid to sales or marketing agents on the sales of real estate units are capitalised when incurred.

Net realisable value of development properties is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for the time value of money if material, less the estimated costs of completion and the estimated costs necessary to make the sale.

The costs of development properties recognised in profit or loss on disposal are determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

Development properties for which revenue is recognised using the percentage of completion method is stated at cost plus estimated profits to-date less progress billings. For other development properties for which revenue is recognised using the completed contract method, these are stated at cost while progress billings are presented separately as "progress billings to customers for development projects" in the balance sheet.

Notes to the Financial Statements

31 December 2015

2. Summary of significant accounting policies (cont'd)

2.16 Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provisions for maintenance and warranties

The Group provides for maintenance and warranty claims on contractual items with customers after the substantial completion of projects.

The provisions for maintenance and warranties represent the best estimate of the Group's legal or constructive obligations at the balance sheet date. The majority of the costs is expected to be incurred over the applicable warranty periods. The assumptions used to estimate maintenance and warranties provisions are reviewed periodically in light of actual experience.

Notes to the Financial Statements

31 December 2015

2. Summary of significant accounting policies (cont'd)

2.18 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in the profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2.19 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.20 Employee benefits

(i) Defined contribution plans

The Group makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(ii) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period.

(iii) Equity-settled share-based payment transactions

Selected employees of the Group received remuneration in the form of shares as consideration for services rendered.

The cost of equity-settled share-based payment transactions is measured by reference to the fair value of the shares at the grant date and is recognised in profit or loss with recognition of a corresponding equity.

Notes to the Financial Statements

31 December 2015

2. Summary of significant accounting policies (cont'd)

2.21 Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

(i) *As lessee*

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(ii) *As lessor*

Leases in which the Group does not transfer substantially all the risk and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.22(iii). Contingent rents are recognised as revenue in the period in which they are earned.

Notes to the Financial Statements

31 December 2015

2. Summary of significant accounting policies (cont'd)

2.22 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(i) *Contract revenue*

Revenue from contract services is recognised by reference to the stage of completion when it can be measured reliably. The stage of completion is determined based on professional surveys of work performed.

Where the outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(ii) *Sales of completed development properties and development properties under construction*

Revenue from sales of completed development properties and development properties under construction is recognised when the significant risks and rewards of ownership of the real estate have been transferred to the buyer (i.e. revenue is recognised using the completed contract method). If, however, the legal terms of the contract are such that the construction represents the continuous transfer of work in progress to the purchaser, the percentage of completion method of revenue recognition is applied and revenue is recognised as work progresses.

In Singapore context, INT FRS 115 Agreements for the Construction of Real Estate includes an accompanying note on application of INT FRS 115 in Singapore which requires the percentage of completion method of revenue recognition to be applied to the sale of private residential properties in Singapore prior to completion of the properties that are regulated under the Singapore Housing Developers (Control and Licensing) Act (Chapter 130) and uses the standard form of sale and purchase agreements (SPAs) prescribed in the Housing Developers Rules. The accompanying note to INT FRS 115 does not address the accounting treatment for other SPAs, including SPAs with a Deferred Payment Scheme feature in Singapore.

In the case whereby the percentage of completion method is used, the percentage of work completed is measured based on the costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred. The costs incurred will be based on surveys/certifications of work performed as construction progresses.

(iii) *Rental income*

Rental income arising from the investment properties are recognised on a straight-line basis over the period of the lease.

(iv) *Interest income*

Interest income is recognised using the effective interest method.

(v) *Dividend income*

Dividend income is recognised when the Group's right to receive payment is established.

(vi) *Supply of labour and services provided*

Revenue from supply of labour and services provided is recognised upon service rendered.

Notes to the Financial Statements

31 December 2015

2. Summary of significant accounting policies (cont'd)

2.23 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Notes to the Financial Statements

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2. Summary of significant accounting policies (cont'd)

2.23 Taxes (cont'd)

(b) Deferred tax (cont'd)

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.24 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.25 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

Notes to the Financial Statements

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3. Significant accounting estimates and judgments

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period.

3.1 Judgments made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

- **Taxes**

The Group has exposure to income taxes mainly in Singapore. Significant judgment is involved in determining the group-wide provision for income taxes. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The carrying amount of the Group's income tax payable, deferred tax liabilities and deferred tax assets as at 31 December 2015 were S\$6,235,000 (2014: S\$22,196,000), S\$Nil (2014: S\$3,000) and S\$6,897,000 (2014: S\$6,978,000) respectively.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

- **Construction contracts**

The Group recognises contract revenue based on the stage of completion method. The stage of completion is determined based on surveys of work performed.

Significant judgment is required in determining the stage of completion, as well as the estimated total contract costs. In making the judgment, the Group evaluates the stage of completion and the estimated total costs by relying on past experience and the work of the project engineers.

The carrying amounts of assets and liabilities arising from construction contracts at the end of each reporting period are disclosed in Note 15 to the financial statements. If the estimated total contract cost had been 1% higher than management estimate, the carrying amount of the assets and liabilities arising from construction contracts would have been S\$332,800 (2014: S\$5,556,724) lower and S\$459,700 (2014: S\$321,177) higher respectively.

- **Provision for maintenance and warranties**

The Group provides for maintenance and warranties based on the estimated rectification costs to be incurred for construction projects during the defect liability and warranty periods.

Significant judgment is required in determining the expected cost to be incurred for the maintenance and warranties. In making the judgment, the Group evaluates the estimated costs to be incurred by relying on actual claim experiences and its best estimates of the expenditures expected to be incurred over the remaining warranty periods.

The carrying amount of the provision for maintenance and warranties for construction contracts at the end of each reporting period is disclosed in Note 24 to the financial statements. If the estimated total maintenance and warranty costs had been 5% higher than management estimate, the carrying amount of the provision for maintenance and warranties arising from construction contracts would have been S\$2,269,000 (2014: S\$2,203,000) higher.

Notes to the Financial Statements

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4. Revenue

	Group	
	2015	2014
	S\$'000	S\$'000
Contract revenue	76,897	56,815
Revenue from sale of development properties (on completed contract basis)	89,027	192,988
Rental income from investment properties	7,919	10,668
Supply of labour and services provided	919	1,142
	<u>174,762</u>	<u>261,613</u>

5. Other income

	Group	
	2015	2014
	S\$'000	S\$'000
Gain on disposal of property, plant and equipment	134	75
Fair value gain on investment securities	535	–
Dividend income from investment securities (Fair value through profit or loss and available-for-sale)	93	101
Interest income from:		
- Loans and receivables	2,182	1,237
- Investment securities (Held-to-maturity)	1,314	961
Sundry income	451	253
	<u>4,709</u>	<u>2,627</u>

Notes to the Financial Statements

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6. Profit before taxation

The following items have been included in arriving at profit before taxation:

	Group	
	2015	2014
	S\$'000	S\$'000
Allowance for doubtful trade receivables	34	–
Depreciation of property, plant and equipment	1,905	1,487
Fair value loss on investment securities (Fair value through profit or loss)	–	279
Fair value loss on investment properties (net)	2,381*	4,300
Interest expense – finance lease	3	–
Operating lease expenses	240	236
Employee benefits expense (Note A)	18,163	21,442
Audit fees paid to:		
- Auditors of the Company	145	141
Non-audit fees paid to:		
- Auditors of the Company	19	18

Note A: Employee benefits expense

Employee benefit expense (including directors):

Salaries, bonus and other benefits	16,181	19,582
Defined contribution plans	1,982	1,860
	<u>18,163</u>	<u>21,442</u>

* Included a fair value gain of S\$419,000 which arose from the transfer of a completed development property to investment property carried at fair value.

Notes to the Financial Statements

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7. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2015 and 2014 are:

	Group	
	2015	2014
	S\$'000	S\$'000
Consolidated income statement:		
Current income tax:		
- current income taxation	5,842	21,518
- over provision in respect of previous years	(229)	-
Deferred income tax:		
- origination and reversal of temporary differences	78	(6,676)
- overprovision in respect of prior years	-	(23)
Income tax expense recognised in profit or loss	<u>5,691</u>	<u>14,819</u>

Relationship between income tax expense and accounting profit

The reconciliation between income tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2015 and 2014 are as follows:

	Group	
	2015	2014
	S\$'000	S\$'000
Profit before taxation	<u>42,391</u>	<u>87,439</u>
Tax at Singapore statutory tax rate of 17% (2014: 17%)	7,207	14,865
Adjustments:		
Non-deductible expenses	571	288
Income not subject to taxation	(271)	(104)
Effect of partial tax exemption	(130)	(113)
Over provision in respect of previous years	(229)	(23)
Share of results of a joint venture	(1,362)	-
Corporate income tax rebates	(95)	(94)
Income tax expense recognised in profit or loss	<u>5,691</u>	<u>14,819</u>

Notes to the Financial Statements

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8. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year that is attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share amounts are calculated by dividing the profit for the year that is attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. There were no potential dilutive ordinary shares existing during the respective financial years.

The following table reflects the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2015	2014
	S\$'000	S\$'000
Profit for the year, attributable to owners of the Company for basic and diluted earnings per share (S\$'000)	36,700	72,620
Weighted average number of ordinary shares on issue applicable to basic and diluted earnings per share ('000)	509,979	509,979

Notes to the Financial Statements

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9. Property, plant and equipment

Group	Machinery and equipment	Motor vehicles	Office equipment	Furniture and fittings	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Cost					
At 1 January 2014	13,685	2,673	431	176	16,965
Additions	646	1,659	78	–	2,383
Disposals	(1,044)	(345)	(7)	–	(1,396)
At 31 December 2014 and 1 January 2015	13,287	3,987	502	176	17,952
Additions	1,672	1,205	118	–	2,995
Disposals	(168)	(762)	(130)	–	(1,060)
At 31 December 2015	14,791	4,430	490	176	19,887
Accumulated depreciation					
At 1 January 2014	7,010	2,266	341	95	9,712
Charge for the year	1,128	293	50	16	1,487
Disposals	(801)	(332)	(7)	–	(1,140)
At 31 December 2014 and 1 January 2015	7,337	2,227	384	111	10,059
Charge for the year	1,249	563	77	16	1,905
Disposals	(145)	(706)	(128)	–	(979)
At 31 December 2015	8,441	2,084	333	127	10,985
Net carrying amount					
At 31 December 2015	6,350	2,346	157	49	8,902
At 31 December 2014	5,950	1,760	118	65	7,893

Assets held under finance lease

The carrying amount of a motor vehicle held under finance leases at the end of the reporting period is S\$375,000 (2014: S\$Nil).

Leased assets are pledged as security for the related finance lease liabilities.

Notes to the Financial Statements

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10. Investment properties

	Group	
	2015	2014
	S\$'000	S\$'000
Balance sheet:		
At 1 January	4,350	8,650
Transfer from development property (Note 16)	1,800	–
Net loss from fair value adjustments recognised in profit or loss	(2,800)	(4,300)
At 31 December	3,350	4,350
Income statement:		
Rental income from investment properties:		
- Minimum lease payments	7,919	10,668
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating properties	(2,561)	(3,254)

The investment properties held by the Group as at 31 December 2015 are as follows:

Description and location	Existing use	Tenure	Unexpired lease term
Office premises, 80 Marine Parade Road, #09-07, Singapore (99 years lease)	Office	Leasehold	63 years
Light industry workshop, #60 Kaki Bukit Avenue 6, Singapore (30 years lease)	Workshop	Leasehold	27 years

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Valuation of investment properties

The leasehold office premises and light industry workshop in Singapore are stated at fair value, which has been determined based on valuation performed in December 2015. The valuation was performed by Colliers International Consultancy & Valuation (S) Pte Ltd, an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the property being valued. The valuation is based on the Direct Comparison Method that makes reference to market evidence of transaction prices for similar properties in the open market.

Notes to the Financial Statements

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11. Investments in subsidiaries

	Company	
	2015	2014
	S\$'000	S\$'000
Shares, at cost	37,814	37,814

Details of subsidiaries as at 31 December 2015 and 2014 are as follows:

Name of subsidiary	Country of incorporation and place of business	Principal activities	Proportion (%) of ownership interest	
			2015	2014
Hock Lian Seng Infrastructure Pte Ltd *	Singapore	Provision of civil engineering works and rental of workers' dormitory	100	100
Hock Lian Seng Properties Pte Ltd *	Singapore	Rental of property, property development and property related activities	100	100
HLS Development Pte Ltd *	Singapore	Property development and property related activities	100	100
First Shine Properties Pte Ltd *	Singapore	Investment holding and property related activities	100	100
First Shine Management Services Pte Ltd *	Singapore	Lodging and accommodation related activities	100	100
Beacon Properties Pte Ltd *	Singapore	Property development and property related activities	100	100

* Audited by Ernst & Young LLP, Singapore

Notes to the Financial Statements

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12. Investment in a joint operation

The Group has 50% (2014: 50%) interest in an unincorporated joint arrangement, GS Engineering & Construction – Hock Lian Seng Infrastructure Joint Venture that is held through a subsidiary. The Group classified the joint arrangement as a joint operation and recognises in relation to its interest in the joint operation, its share of assets held jointly and liabilities incurred jointly. The details of the joint operation as at 31 December 2015 and 2014 are as follows:

Name of partnership	Country of incorporation and place of business	Principal activities	Proportion (%) of ownership interest	
			2015	2014
GS Engineering & Construction – Hock Lian Seng Infrastructure Joint Venture *	Singapore	Provision of civil engineering and infrastructure works	50	50

* Audited by Ernst & Young LLP, Singapore

13. Investment in joint ventures

The Group's investment in joint ventures is summarised below:

	Group	
	2015	2014
	S\$'000	S\$'000
Bukit Timah Green Development Pte Ltd	5,265	–
HLE Management Pte Ltd	–	30
	<u>5,265</u>	<u>30</u>

The Group has 50% (2014: 50%) interest in the ownership and voting rights in the joint ventures. The Group jointly controls the ventures with other partners under contractual agreements which require unanimous consent for all major decisions over the relevant activities. The details of the joint ventures as at 31 December are as follows:

Name of partnership	Country of incorporation and place of business	Principal activities	Proportion (%) of ownership interest	
			2015	2014
Bukit Timah Green Development Pte Ltd *	Singapore	Property development and property related activities	50	50
HLE Management Pte Ltd *	Singapore	Management and operation of student hostel	– #	50.01

* Audited by Ernst & Young LLP, Singapore

The joint venture has been struck off during the year.

Notes to the Financial Statements

31 December 2015

13. Investment in joint ventures (cont'd)

Summarised financial information in respect of Bukit Timah Green Development Pte Ltd and HLE Management Pte Ltd based on their FRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheets

	Bukit Timah Green Development Pte Ltd		HLE Management Pte Ltd	
	2015	2014	2015	2014
	S\$'000	S\$'000	S\$'000	S\$'000
Current assets	247,088	300,898	–	66
Non-current assets	–	730	–	–
Total assets	247,088	301,628	–	66
Current liabilities	235,292	104,897	–	(6)
Non-current liabilities	–	199,358	–	–
Total liabilities	235,292	304,255	–	(6)
Net assets/(liabilities)	11,796	(2,627)	–	60
Proportion of the Group's ownership	50%	50%	–	50.01%
Group's share of net assets/(liabilities)	5,898	(1,314)	–	30
Adjustment for elimination of intra-group loan interest income	(633)	–	–	–
Carrying amount of the investment	5,265	–	–	30
Carrying amount of the provision for Group's share of losses (Note 24)	–	(1,314)	–	–

Notes to the Financial Statements

31 December 2015

13. Investment in joint ventures (cont'd)

Summarised statement of comprehensive income

	Bukit Timah Green Development Pte Ltd		HLE Management Pte Ltd	
	2015	2014	2015	2014
	S\$'000	S\$'000	S\$'000	S\$'000
Revenue	301,300	89,516	–	3
Cost of sales	(282,733)	(86,599)	–	–
Gross profit	18,567	2,917	–	3
Other income	90	40	–	–
Operating expenses	(1,278)	(2,850)	(6)	(6)
Profit/(loss) before tax	17,379	107	(6)	(3)
Tax expense	(2,955)	(18)	–	–
Profit/(loss) after tax and total comprehensive income	14,424	89	(6)	(3)

14. Investment securities

	Group	
	2015	2014
	S\$'000	S\$'000
Non-current		
Held-to-maturity investments	22,772	23,809
Available-for-sale financial assets Equity instruments (quoted)	1,710	1,252
	24,482	25,061
Current		
Held-to-maturity investments	5,502	–
Financial assets at fair value through profit or loss Equity instruments (quoted)	3,245	2,710
	8,747	2,710

Held-to-maturity investment in quoted corporate bonds were made for varying coupon rates ranging from 3.15% to 7.0% (2014: 3.15% to 7.0 %) per annum, with maturity dates ranging from 2016 to 2027.

Notes to the Financial Statements

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15. Contract work-in-progress/(progress billings in excess of work-in-progress)

	Group	
	2015	2014
	S\$'000	S\$'000
Aggregate amount of costs incurred and recognised profits to date	967,553	884,727
Less: Progress billings	(957,278)	(881,139)
	10,275	3,588
<i>Presented as:</i>		
Contract work-in-progress	12,103	6,696
Progress billings in excess of work-in-progress	(1,828)	(3,108)
	10,275	3,588

16. Development properties

	Group	
	2015	2014
	S\$'000	S\$'000
Completed properties, at cost	9,225	20,940
Properties under construction:		
Leasehold land	31,136	25,276
Development costs	6,349	27,304
	46,710	73,520

	Group	
	2015	2014
	S\$'000	S\$'000
At 1 January	73,520	157,874
Construction costs incurred	40,703	55,413
Interest capitalised	546	623
Transfer to completed investment property	(1,381)	–
Disposals (recognised in cost of sales)	(66,678)	(140,390)
At 31 December	46,710	73,520

During the financial year, borrowing costs of S\$546,000 (2014: S\$623,000), arising from borrowings obtained specifically for the development properties were capitalised under "Development costs" for properties under construction. The rates used to determine the amount of borrowing costs eligible for capitalisation range from 0.68% to 2.98% (2014: 0.56% to 2.05%) per annum, which are the effective interest rates of the specific borrowings.

The cost of the properties under construction amounting to S\$37,485,000 (2014: S\$Nil) is expected to be recovered more than twelve months after the reporting period.

Notes to the Financial Statements

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16. Development properties (cont'd)

The carrying amount of the development property under construction has been pledged as security for a bank loan (Note 25).

List of development properties

Description and location	% owned	Site area (square metre)	Approximate saleable floor area (square metre)	Stage of completion as at date of annual report (expected year of completion)
Industrial property at Tuas South Avenue 7	100	25,700	49,489	4.7% (2018)
Industrial property at Gambas Avenue	100	21,427	49,046	100% (2014*)

* The construction of the industrial property was completed in 2014.

17. Trade receivables

	Group	
	2015	2014
	S\$'000	S\$'000
Trade receivables	6,469	42,415
Allowance for impairment	(34)	-
	<u>6,435</u>	<u>42,415</u>

Trade receivables

Trade receivables are non-interest bearing and are generally on 14-56 days' credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Receivables that are past due but not impaired

The Group has trade receivables amounting to S\$121,000 (2014: S\$32,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

	Group	
	2015	2014
	S\$'000	S\$'000
Trade receivables past due but not impaired:		
Lesser than 30 days	-	5
30 to 60 days	75	8
60 to 90 days	-	3
More than 90 days	46	16
	<u>121</u>	<u>32</u>

Notes to the Financial Statements

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17. Trade receivables (cont'd)

Receivables that are impaired

The Group's trade receivables that are impaired at the end of reporting period and the movement of the allowance account used to record the impairment is as follows:

	Group Individually impaired	
	2015	2014
	S\$'000	S\$'000
Trade debtors - nominal amounts	34	–
Less: Allowance for impairment	(34)	–
	–	–
Movement in allowance account:		
Charge for the year and at 31 December	34	–

Trade receivables that are individually determined to be impaired at the end of reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

At end of the reporting period, the Group has provided an allowance of S\$34,000 (2014: S\$Nil) for impairment of an amount due from an external trade debtor relating to a backcharge as the debtor has defaulted on payments.

18. Other receivables

	Group		Company	
	2015	2014	2015	2014
	S\$'000	S\$'000	S\$'000	S\$'000
Other debtors	764	909	–	–
Dividend receivable from a subsidiary	–	–	–	37,800
Amounts due from subsidiaries	–	–	2,389	3,308
Loans due from subsidiaries	–	–	9,050	–
	764	909	11,439	41,108

Amounts due from subsidiaries are non-trade related, non-interest bearing, unsecured, repayable on demand and is to be settled in cash. The amounts relate to management fee and payroll costs of seconded staff charged to subsidiaries.

Loans due from subsidiaries are unsecured, bear interests ranging from 0.68% to 1.31% (2014: Nil%) per annum, repayable on demand and are to be settled in cash.

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19. Prepayments and deposits

	Group	
	2015	2014
	S\$'000	S\$'000
Prepayments	12	9,132
Deposits	420	448
	<u>432</u>	<u>9,580</u>

20. Cash and short term deposits

	Group		Company	
	2015	2014	2015	2014
	S\$'000	S\$'000	S\$'000	S\$'000
Cash at banks and on hand	28,206	75,700	309	155
Short term deposits	128,701	89,838	57,041	25,336
Cash and short term deposits	<u>156,907</u>	<u>165,538</u>	<u>57,350</u>	<u>25,491</u>

Short term deposits are made for varying periods of between 1 week to 6 months depending on the immediate cash requirements of the Group and the Company, and earn interest at the respective short-term deposit rates. The average effective interest rates as at 31 December 2015 for the Group and the Company were 0.51% (2014: 0.41%) per annum and 0.95% (2014: 0.57%) per annum respectively.

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the end of the reporting period:

	Group	
	2015	2014
	S\$'000	S\$'000
Cash at banks and on hand	28,206	75,700
Short term deposits	128,701	89,838
Cash and cash equivalents	<u>156,907</u>	<u>165,538</u>

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21. Trade and other payables

	Group		Company	
	2015	2014	2015	2014
	S\$'000	S\$'000	S\$'000	S\$'000
Current				
Trade payables	3,465	3,133	9	7
Accrued operating expenses	46,917	49,832	1,429	3,295
Amount due to a subsidiary	–	–	–	1,000
Deposits received	47	1,123	–	–
GST payables	359	6,784	52	17
Other payables	39	446	1	–
	50,827	61,318	1,491	4,319
Non-current				
Deferred income	–	1,227	–	–
	–	1,227	–	–

Trade payables

Trade payables are non-interest bearing and are normally settled on 30-60 days' terms.

Amount due to a subsidiary

In 2014, amount due to a subsidiary was non-trade related, unsecured, non-interest bearing and repayable on demand. The amount has been fully repaid in the current year.

Other payables

Other payables are non-interest bearing and have an average term of 2 months.

In 2014, the deferred income arose from the elimination of intra-group loan interest income charged on a loan to a joint venture, Bukit Timah Green Development Pte Ltd, which was in excess of the carrying amount of the Group's interest in the joint venture. In the current year, the deferred income was reversed as the carrying amount of the Group's interest in the joint venture exceeded the elimination of intra-group loan interest income.

22. Amounts due from/(to) a joint venture partner

Amounts due from/(to) a joint venture partner are trade related, unsecured, non-interest bearing, repayable upon demand and are to be settled in cash.

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23. Amounts due from/(to) a joint venture

	Group	
	2015	2014
	S\$'000	S\$'000
Loans due from a joint venture	55,310	49,810
Amounts due from a joint venture	5,147	3,420
	<u>60,457</u>	<u>53,230</u>
Amounts due to a joint venture	<u>6</u>	<u>-</u>

Loans due from a joint venture are unsecured, bear interest at 2.5% (2014: 2.5%) per annum, repayable on demand and are to be settled in cash, except for an amount of S\$4,000,000 (2014: S\$4,000,000) which is non-interest bearing.

Amounts due from/(to) a joint venture are non-trade related, unsecured, non-interest bearing, repayable on demand and are to be settled in cash. The non-trade amounts due from a joint venture relates to payroll costs of seconded staff charged to the joint venture and accrued interest receivables.

24. Provisions

	Provision for maintenance and warranties	Provision for share of a joint venture's losses	Total
	S\$'000	S\$'000	S\$'000
At 1 January 2015	44,062	1,314	45,376
Utilised	(3,750)	-	(3,750)
Current year provision	5,999	-	5,999
Write-back	(923)	(1,314)	(2,237)
At 31 December 2015	<u>45,388</u>	<u>-</u>	<u>45,388</u>
At 1 January 2014	5,609	1,359	6,968
Utilised	(1,029)	-	(1,029)
Current year provision	39,884	-	39,884
Write-back	(402)	(45)	(447)
At 31 December 2014	<u>44,062</u>	<u>1,314</u>	<u>45,376</u>
Current 2015	<u>45,388</u>	<u>-</u>	<u>45,388</u>
Current 2014	<u>44,062</u>	<u>1,314</u>	<u>45,376</u>

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24. Provisions (cont'd)

Maintenance and warranties

The Group provides for maintenance and warranties claims on contracted items with customers after the substantial completion of projects. The amount of the provisions for maintenance and warranties are based on past experience of the level of maintenance and rectification work. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

During the financial year, based on the warranty claims experience, management concluded that the provision for maintenance and warranties exceeded the amount necessary to cover warranty claims on contract works. Accordingly, S\$923,000 (2014: S\$402,000) of the warranty provision has been reversed.

Share of a joint venture's losses

In 2014, the Group provided for its share of losses in a joint venture, Bukit Timah Green Development Pte Ltd, in excess of its interest in the joint venture as the Group gave an undertaking to provide financial support for the joint venture to meet its liabilities as and when they fall due (Note 13). In the current year, the joint venture reported profits and is in a net asset position as of the end of the reporting period. Accordingly, the provision for share of the joint venture's losses was reversed.

25. Loans and borrowings

	Maturity	Group	
		2015	2014
		S\$'000	S\$'000
Non-current:			
Obligation under finance lease (Note 31(c))	2017	13	–
Bank loan A	2019	15,490	–
Current:			
Bank loan B	2015	–	4,992
Obligation under finance lease (Note 31(c))	2016	51	–
		<u>15,554</u>	<u>4,992</u>

Bank loans

Bank loan A is arranged at floating interest rate and is reset at intervals ranging from 3 months to 6 months based on changes to the bank's cost of funds. The interest rates range from 2.20% to 2.97% (2014: Nil%) per annum. The bank loan is repayable in full by February 2019.

Bank loan A is secured by:

- (i) a first legal mortgage over a subsidiary's leasehold land and the proposed development with a total carrying amount of S\$37,485,000 (2014: S\$Nil) at the end of the reporting period (Note 16); and
- (ii) corporate guarantees executed by the Company.

Bank loan B was fully repaid during the year.

Obligation under finance lease

The obligation is secured by a charge over the leased asset (Note 9). The average discount rate implicit in the lease is 4.4% (2014: Nil%) per annum.

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26. Deferred taxation

Deferred tax as at 31 December relates to the following:

	Group			
	Consolidated balance sheet		Consolidated income statement	
	2015	2014	2015	2014
	S\$'000	S\$'000	S\$'000	S\$'000
Deferred tax assets				
Provisions	7,712	7,544	(168)	(6,569)
Unutilised tax losses	235	415	180	(269)
	<u>7,947</u>	<u>7,959</u>		
Deferred tax liabilities				
Excess of net carrying value of property, plant and equipment over tax written down value	(1,050)	(984)	66	139
	<u>(1,050)</u>	<u>(984)</u>		
	<u>6,897</u>	<u>6,975</u>		
Deferred tax expense/(credit)			<u>78</u>	<u>(6,699)</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority. The amounts determined after appropriate offsetting are included in the consolidated balance sheet as follows:

	Group	
	2015	2014
	S\$'000	S\$'000
Net deferred tax assets	6,897	6,978
Net deferred tax liabilities	–	(3)
	<u>6,897</u>	<u>6,975</u>

Tax consequences of proposed dividends

There are no income tax consequences (2014: S\$Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 32).

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27. Share capital

	2015	Group and Company		2014
	No. of shares	2014	2015	No. of shares
	S\$'000	S\$'000	S\$'000	S\$'000
Issued and fully paid ordinary shares				
At 1 January and 31 December	509,979	58,956	509,979	58,956

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

28. Capital reserve

Capital reserve records the costs of share-based payments, in the form of 4,000,000 shares transferred from the former shareholders to certain selected employees of the Group as consideration for their services received, which is measured by reference to the fair value of the shares at the grant date.

29. Fair value adjustment reserve

Fair value adjustment reserve records the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

	Group	
	2015	2014
	S\$'000	S\$'000
At 1 January	–	(12)
Net (loss)/gain on fair value changes of available-for-sale financial assets during the year	(41)	12
At 31 December	(41)	–

30. Merger deficit

The merger deficit records the difference between the purchase consideration and the share capital of a subsidiary acquired from an entity under common control.

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31. Commitments

(a) Operating lease commitments – as lessee

The Group has entered into a commercial property lease for its office premises. The lease has tenure of 3 years (2014: 6 months to 3 years) with no renewal option or contingent rent provision included in the contract. The Group is restricted from subleasing the leased properties to third parties.

Future minimum rental payable under non-cancellable operating lease at the end of the reporting period are as follows:

	Group	
	2015	2014
	S\$'000	S\$'000
Not later than one year	267	214
Later than one year but not later than five years	–	214
	<u>267</u>	<u>428</u>

(b) Operating lease commitments – as lessor

The Group has entered into commercial property leases on its investment properties.

Future minimum rental receivables under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2015	2014
	S\$'000	S\$'000
Not later than one year	186	8,469
Later than one year but not later than five years	286	–
	<u>472</u>	<u>8,469</u>

(c) Finance lease commitments

The Group has finance lease for a motor vehicle. The lease has term of renewal but no purchase option and escalation clause. Renewal is at the option of the specific entity that holds the lease.

Future minimum lease payments under the finance lease together with the present value of the net minimum lease payments are as follows:

		2015		2014	
	Maturity	Minimum lease payments S\$'000	Present value of payments (Note 25) S\$'000	Minimum lease payments S\$'000	Present value of payments (Note 25) S\$'000
Not later than one year	2016	53	51	–	–
Later than one year but not later than five years	2017	13	13	–	–
Total minimum lease payments		66	64	–	–
Less:					
Amounts representing finance charges		(2)	–	–	–
Present value of minimum lease payments		64	64	–	–

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32. Dividends

	Group and Company	
	2015	2014
	S\$'000	S\$'000
Declared and paid during the financial year:		
<i>Dividends on ordinary shares:</i>		
Final tax-exempt (one-tier) dividend for 2015: S\$0.04 (2014: S\$0.018) per share	20,399	9,180
Proposed but not recognised as a liability as at 31 December:		
<i>Dividends on ordinary shares, subject to shareholders' approval at the AGM:</i>		
Final tax-exempt (one-tier) dividends for 2015: S\$0.025 (2014: S\$0.04) per share	12,749	20,399

33. Related party transactions

(a) Sales and purchase of services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group	
	2015	2014
	S\$'000	S\$'000
Rental paid to: - A company related to a Director	241	236
Sales of units at Ark@Gambas to: - A company related to a Director	-	3,200

Notes to the Financial Statements

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33. Related party transactions

(b) Compensation of key management personnel

	Group	
	2015	2014
	S\$'000	S\$'000
Salaries and other remuneration	4,172	5,750
Defined contribution plans	133	203
Directors' fees	192	162
Total compensation paid to key management personnel	4,497	6,115
Comprise amounts paid to:		
- Directors of the Company	2,907	4,777
- Other key management personnel	1,590	1,338
	4,497	6,115

The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

34. Contingent liabilities

The Company has provided financial guarantees to the banks in respect of the long term loans and borrowings of its subsidiaries and a joint venture with a carrying amount of S\$65,425,000 (2014: S\$104,492,000). The fair value of such financial guarantees is not expected to be material as the loans and borrowings are collateralised against the Group's development properties. Accordingly, the fair value of the financial guarantees has not been recognised.

35. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, credit risk, market price risk and liquidity risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. It is, and has been throughout the years under review, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

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35. Financial risk management objectives and policies (cont'd)

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from the Group's floating rate loans and borrowings and cash and short term deposits.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 100 (2014: 100) basis points higher/lower with all other variables held constant, the Group's profit net of tax would have been S\$1,818,000 (2014: S\$1,537,000) higher/lower, arising mainly as a result of higher/lower interest income on cash and short term deposits, and the carrying amount of the Group's development properties as at 31 December 2015 would have been S\$251,000 (2014: S\$210,000) higher/lower, arising mainly as a result of higher/lower interest expense on floating rate loans and borrowings that were capitalised in development properties.

(b) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities and cash and short term deposits), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group trades only with recognised and creditworthy third parties or government authorities. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

As at the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets.

Since the Group trades only with recognised and creditworthy third parties or government authorities, there is no requirement for collateral.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and short term deposits and investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Notes to the Financial Statements

31 December 2015

35. Financial risk management objectives and policies (cont'd)

(b) Credit risk (cont'd)

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 17 (Trade receivables).

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group			
	2015		2014	
	S\$'000	% of total	S\$'000	% of total
By country:				
Singapore	6,435	100.0	42,415	100.0
By industry sector:				
Civil engineering	6,129	95.2	4,248	10.0
Properties development	306	4.8	38,109	89.8
Properties investment	–	–	58	0.2
	6,435	100.0	42,415	100.0

At the end of the reporting period, approximately:

- 54% (2014: 9.4%) of the Group's trade receivables were due from government authorities or government linked entities who are located in Singapore.
- None of the Group's trade receivables were due from related parties.

Notes to the Financial Statements

31 December 2015

35. Financial risk management objectives and policies (cont'd)

(c) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group has investment in quoted securities investment which is exposed to equity price risk. These investment are classified as fair value through profit or loss and available-for-sale financial assets. The Group does not have exposure to commodity price risk.

The Group's objective is to manage investment returns and equity price risk using a mix of investment grade shares with steady dividend yield and non-investment grade shares with higher volatility.

Sensitivity analysis for equity price risk

At the end of the reporting period, if the underlying quoted securities prices had been 1% (2014: 1%) higher/lower with all other variables held constant, the Group's profit before taxation would have been S\$32,000 (2014: S\$27,000) higher/lower, as a result of higher/lower fair value gains on quoted investment securities classified as fair value through profit or loss, and the Group's other comprehensive income would have been S\$17,000 (2014: S\$13,000) higher/lower, as a result of higher/lower fair value gains on quoted investment securities classified as available-for-sale.

(d) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

To manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's and the Company's operations and mitigate the effect of fluctuations in cash flows.

Notes to the Financial Statements

31 December 2015

35. Financial risk management objectives and policies (cont'd)

(d) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	2015				2014			
	One year or less	One to five years	Over five years	Total	One year or less	One to five years	Over five years	Total
Group	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Financial assets:								
Investment securities (non-current)	–	16,408	11,141	27,549	–	18,029	11,126	29,155
Investment securities (current)	8,747	–	–	8,747	2,710	–	–	2,710
Trade receivables	6,435	–	–	6,435	42,415	–	–	42,415
Other receivables	764	–	–	764	909	–	–	909
Amounts due from a joint venture partner	43	–	–	43	87	–	–	87
Amounts due from a joint venture	60,457	–	–	60,457	53,230	–	–	53,230
Deposits	420	–	–	420	448	–	–	448
Cash and short term deposits	156,907	–	–	156,907	165,538	–	–	165,538
Total undiscounted financial assets	233,773	16,408	11,141	261,322	265,337	18,029	11,126	294,492
Financial liabilities:								
Trade and other payables (exclude GST payables)	(50,468)	–	–	(50,468)	(54,534)	–	–	(54,534)
Amounts due to a joint venture partner	(32)	–	–	(32)	(109)	–	–	(109)
Amounts due to a joint venture	(6)	–	–	(6)	–	–	–	–
Loans and borrowings	(513)	(16,500)	–	(17,013)	(4,996)	–	–	(4,996)
Total undiscounted financial liabilities	(51,019)	(16,500)	–	(67,519)	(59,639)	–	–	(59,639)
Total net undiscounted financial assets/ (liabilities)	182,754	(92)	11,141	193,803	205,698	18,029	11,126	234,853

Notes to the Financial Statements

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35. Financial risk management objectives and policies (cont'd)

(d) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

	2015 One year or less	2014 One year or less
Company	S\$'000	S\$'000
Financial assets:		
Other receivables	11,439	41,108
Cash and short term deposits	57,350	25,491
Total undiscounted financial assets	68,789	66,599
Financial liabilities:		
Trade and other payables (exclude GST payable)	(1,439)	(4,302)
Total undiscounted financial liabilities	(1,439)	(4,302)
Total net undiscounted financial assets	67,350	62,297

The table below shows the contractual expiry by maturity of the Company's contingent liabilities. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantees could be called.

	One year or less	2015 One to five years	Total	One year or less	2014 One to five years	Total
Company					S\$'000	S\$'000
Financial guarantees	49,935	15,490	65,425	4,992	99,500	104,492

36. Fair value of assets and liabilities

(a) Fair value hierarchy

The Group categorises fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Notes to the Financial Statements

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36. Fair value of assets and liabilities (cont'd)

(b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets measured at fair value at the end of the reporting period:

	Group 2015			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
	S\$'000	S\$'000	S\$'000	S\$'000
Recurring fair value measurements				
Assets:				
Financial assets:				
Financial assets at fair value through profit or loss (Note 14)				
- Equity instruments (quoted)	3,245	-	-	3,245
Available-for-sale financial assets (Note 14)				
- Equity instruments (quoted)	1,710	-	-	1,710
Financial assets as at 31 December 2015	4,955	-	-	4,955
Non-financial assets:				
Investment properties (Note 10)				
- Office premises	-	-	1,550	1,550
- Workshop	-	-	1,800	1,800
Non-financial assets as at 31 December 2015	-	-	3,350	3,350

Notes to the Financial Statements

31 December 2015

36. Fair value of assets and liabilities (cont'd)

(b) Assets and liabilities measured at fair value (cont'd)

The following table shows an analysis of each class of assets measured at fair value at the end of the reporting period:

	Group 2014			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
	S\$'000	S\$'000	S\$'000	S\$'000
Recurring fair value measurements				
Assets:				
Financial assets:				
Financial assets at fair value through profit or loss (Note 14)				
- Equity instruments (quoted)	2,710	-	-	2,710
Available-for-sale financial assets (Note 14)				
- Equity instruments (quoted)	1,252	-	-	1,252
Financial assets as at 31 December 2014	3,962	-	-	3,962
Non-financial assets:				
Investment properties (Note 10)				
- Office premises	-	-	1,650	1,650
- Workers' dormitory	-	-	2,700	2,700
Non-financial assets as at 31 December 2014	-	-	4,350	4,350

Notes to the Financial Statements

31 December 2015

36. Fair value of assets and liabilities (cont'd)

(c) Level 3 fair value measurements

Information about significant unobservable inputs used in Level 3 fair value measurements

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value at 31 December 2015	Valuation techniques	Significant unobservable inputs	Range (weighted average)
	S\$'000			
Recurring fair value measurements				
Investment properties:				
- Office premises	1,550	Market comparable approach	Market price per square metre	S\$17,100 to S\$22,600 per square metre
- Workshop	1,800	Market comparable approach	Market price per square metre	S\$3,470 to S\$5,060 per square metre

Notes to the Financial Statements

31 December 2015

36. Fair value of assets and liabilities (cont'd)

(c) Level 3 fair value measurements (cont'd)

Information about significant unobservable inputs used in Level 3 fair value measurements (cont'd)

Description	Fair value at 31 December 2014	Valuation techniques	Significant unobservable inputs	Range (weighted average)
	S\$'000			
Recurring fair value measurements				
Investment properties:				
- Office premises	1,650	Market comparable approach	Market price per square metre	S\$18,200 to S\$18,500 per square metre
- Workers' dormitory	2,700	Discounted cash flow	Discount rate	12.5% to 17.5% (15%)
			Rental rate per head	S\$266 to S\$294 (S\$280)
			Occupancy rate	65% to 95% (80%)

For office premises and workshop, a significant increase (decrease) in market price per square metre based on external valuation expert's assumptions would result in a significantly higher (lower) fair value measurement. For workers' dormitory, a significant decrease (increase) in discount rate and increase (decrease) in rental and occupancy rate based on management's assumptions would result in a significantly higher (lower) fair value measurement.

While the Group believes that its estimate of fair value is appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

The Group believes that there are no reasonably possible alternative assumptions that will result in a significant change in fair value of the investment properties for the year ended 31 December 2014 and 2015.

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36. Fair value of assets and liabilities (cont'd)

(c) Level 3 fair value measurements (cont'd)

Movement in Level 3 assets measured at fair value

	Group
	S\$'000
Fair value measurements using significant unobservable inputs (Level 3)	
Investment properties:	
At 1 January 2015	4,350
Transfer from development property	1,800
Net loss from fair value adjustments recognised in profit or loss *	(2,800)
At 31 December 2015	<u>3,350</u>
At 1 January 2014	8,650
Net loss from fair value adjustments recognised in profit or loss	(4,300)
At 31 December 2014	<u>4,350</u>

* Included a fair value loss of S\$2,700,000 for the workers' dormitory which has been demolished following the expiry of the land lease in November 2015.

Valuation policies and procedures

The Group's Chief Financial Officer (CFO) oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures. In this regard, the CFO reports to the Group's ARMC.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts to perform the valuation. The CFO is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113 fair value measurement guidance to perform the valuation.

For valuation performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

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31 December 2015

36. Fair value of assets and liabilities (cont'd)

(c) Level 3 fair value measurements (cont'd)

Valuation policies and procedures (cont'd)

Significant changes in fair value measurements from period to period are evaluated by the CFO for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

The CFO documents and reports its analysis and results of the external/internal valuations to the ARMC on a quarterly basis. The ARMC performs a high-level independent review of the valuation process and results and recommends if any revisions need to be made before presenting the results to the Board of Directors for approval.

(d) Assets and liabilities not carried at fair value for which fair value is disclosed

The following table shows an analysis of the Group's assets not measured at fair value as at 31 December 2015 but for which fair value is disclosed:

	Group 2015				
	Fair value measurements at the end of the reporting period using				
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total	Carrying amount
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Assets:					
Held-to- maturity investments	27,672	–	–	27,672	28,274

Notes to the Financial Statements

31 December 2015

36. Fair value of assets and liabilities (cont'd)

(d) Assets and liabilities not carried at fair value for which fair value is disclosed (cont'd)

	Group 2014			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Carrying amount
	S\$'000	S\$'000	S\$'000	S\$'000
Assets:				
Held-to-maturity investments	23,070	–	–	23,809

(e) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The fair values of the financial assets by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

	Group			
	2015		2014	
	Carrying value	Fair value	Carrying value	Fair value
	S\$'000	S\$'000	S\$'000	S\$'000
Financial assets:				
Held-to-maturity investments (Note 14)	28,274	27,672	23,809	23,070

Notes to the Financial Statements

31 December 2015

37. Financial instruments by category

Set out below is the carrying amount of each of the categories of the Group's and the Company's financial instruments that are carried in the financial statements:

	Note	Loans and receivables	Financial assets at fair value through profit or loss	Available- for-sale	Held-to- maturity	Liabilities at amortised cost
Group		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 31 December 2015						
Assets						
Investment securities (non-current)	14	-	-	1,710	22,772	-
Investment securities (current)	14	-	3,245	-	5,502	-
Trade receivables	17	6,435	-	-	-	-
Other receivables	18	764	-	-	-	-
Amounts due from a joint venture partner	22	43	-	-	-	-
Amounts due from a joint venture	23	60,457	-	-	-	-
Deposits	19	420	-	-	-	-
Cash and short term deposits	20	156,907	-	-	-	-
Liabilities						
Trade and other payables (exclude GST payables)	21	-	-	-	-	50,468
Amounts due to a joint venture partner	22	-	-	-	-	32
Amount due to a joint venture	23	-	-	-	-	6
Loans and borrowings	25	-	-	-	-	15,554
		225,026	3,245	1,710	28,274	66,060

Notes to the Financial Statements

31 December 2015

37. Financial instruments by category (cont'd)

	Note	Loans and receivables	Financial assets at fair value through profit or loss	Available- for-sale	Held-to- maturity	Liabilities at amortised cost
Group		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 31 December 2014						
Assets						
Investment securities (non-current)	14	-	-	1,252	23,809	-
Investment securities (current)	14	-	2,710	-	-	-
Trade receivables	17	42,415	-	-	-	-
Other receivables	18	909	-	-	-	-
Amounts due from a joint venture partner	22	87	-	-	-	-
Amounts due from a joint venture	23	53,230	-	-	-	-
Deposits	19	448	-	-	-	-
Cash and short term deposits	20	165,538	-	-	-	-
Liabilities						
Trade and other payables (exclude GST payables)	21	-	-	-	-	54,534
Amounts due to a joint venture partner	22	-	-	-	-	109
Loans and borrowings	25	-	-	-	-	4,992
		262,627	2,710	1,252	23,809	59,635

Notes to the Financial Statements

31 December 2015

37. Financial instruments by category (cont'd)

	Note	Loans and receivables S\$'000	Liabilities at amortised cost S\$'000
Company			
At 31 December 2015			
Assets			
Other receivables	18	11,439	-
Cash and short term deposits	20	57,350	-
Liabilities			
Trade and other payables (exclude GST payable)	21	-	1,439
		<u>68,789</u>	<u>1,439</u>
At 31 December 2014			
Assets			
Other receivables	18	41,108	-
Cash and short term deposits	20	25,491	-
Liabilities			
Trade and other payables (exclude GST payable)	21	-	4,302
		<u>66,599</u>	<u>4,302</u>

Notes to the Financial Statements

31 December 2015

38. Capital management

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustment to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 2014.

The Group monitors its capital structure as follows:

	Note	Group	
		2015	2014
		S\$'000	S\$'000
Loans and borrowings	25	15,503	4,992
Less: Cash and short term deposits	20	(156,907)	(165,538)
Net debt		(141,404)	(160,546)
Equity attributable to owners of the Company		221,624	205,364

The Group will continue to be guided by prudent financial policies of which gearing is an important aspect.

39. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

- Civil engineering: Infrastructure construction and civil engineering works for bridges, expressways, tunnels and other related infrastructure works.
- Properties development: Development of properties in the residential and industrial sectors.
- Properties investment: Investment properties held to earn rentals and/or for capital appreciation and others.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

The three operating segments are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who review the segment results every quarter for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit margins of the products and services. Corporate overheads, taxes and investment securities are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Notes to the Financial Statements

31 December 2015

39. Segment information (cont'd)

	Civil engineering		Properties development		Properties investment		Adjustments		Notes	Per consolidated financial statements	
	2015	2014	2015	2014	2015	2014	2015	2014		2015	2014
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000		S\$'000	S\$'000
Revenue:											
External customers	77,303	57,417	89,541	193,529	7,918	10,667	-	-		174,762	261,613
Inter-segment	776	56,026	-	-	-	-	(776)	(56,026)	A	-	-
Total revenue	78,079	113,443	89,541	193,529	7,918	10,667	(776)	(56,026)		174,762	261,613
Results:											
Depreciation	1,904	1,483	1	4	-	-	-	-		1,905	1,487
Fair value loss on investment properties	-	-	-	-	2,381	4,300	-	-		2,381	4,300
Dividend income from investment securities	-	-	-	-	-	-	93	101		93	101
Interest income	-	-	-	-	-	-	3,496	2,198		3,496	2,198
Segment profit	12,058	39,230	30,121	51,728	2,975	3,101	(2,763)	(6,620)	B	42,391	87,439
Assets:											
Additions to non-current assets	2,995	2,383	-	-	-	-	-	-	C	2,995	2,383
Segment assets	154,466	133,708	138,287	224,797	3,350	5,713	45,391	34,779	D	341,494	398,997
Segment liabilities	83,828	105,804	29,771	65,306	32	320	6,239	22,203	E	119,870	193,633

Notes to the Financial Statements

31 December 2015

39. Segment information (cont'd)

Nature of adjustments to arrive at amounts reported in the consolidated financial statements

- A. Inter-segment revenues are eliminated on consolidation.
- B. The following items are added to/(deducted from) segment profit to arrive at "Profit before taxation" presented in the consolidated income statement:

	Group	
	2015	2014
	S\$'000	S\$'000
Other income	4,709	2,627
Corporate overheads	(6,179)	(7,002)
Other operating costs	(254)	(537)
Profit from inter-segment sale	(1,039)	(1,708)
	<u>(2,763)</u>	<u>(6,620)</u>

- C. Additions to non-current assets consist of additions to property, plant and equipment.
- D. The following items are added to segment assets to arrive at total assets reported in the consolidated balance sheet:

	Group	
	2015	2014
	S\$'000	S\$'000
Investment securities	33,229	27,771
Deferred tax assets	6,897	6,978
Investments in joint ventures	5,265	30
	<u>45,391</u>	<u>34,779</u>

- E. The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

	Group	
	2015	2014
	S\$'000	S\$'000
Provision for taxation	6,235	22,196
Deferred tax liabilities	–	3
Unadjusted intercompany balance	4	4
	<u>6,239</u>	<u>22,203</u>

Notes to the Financial Statements

31 December 2015

39. Segment information (cont'd)

Geographical information

The Group derives all of its revenues from external customers based in Singapore and its non-current assets are solely located in Singapore for the years ended 31 December 2015 and 2014.

Information about major customers

Revenue from one major customer amounted to S\$58,320,000 (2014: S\$50,185,000) for various civil engineering projects.

40. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Directors on 31 March 2016.

Statistics of Shareholdings

As at 18 March 2016

ISSUED AND FULLY PAID	:	S\$58,955,522
NUMBER OF SHARES	:	509,978,991
CLASS OF SHARES	:	ORDINARY SHARES
VOTING RIGHTS	:	1 VOTE PER SHARE
NUMBER OF TREASURY SHARES	:	NIL

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	1	0.06	24	0.00
100 – 1,000	59	3.44	48,225	0.01
1,001 – 10,000	586	34.19	4,034,100	0.79
10,001 – 1,000,000	1032	60.21	68,324,050	13.40
1,000,000 & ABOVE	36	2.10	437,572,592	85.80
TOTAL	1,714	100.00	509,978,991	100.00

TWENTY LARGEST SHAREHOLDERS	NO. OF SHARES	%
CHUA LEONG HAI @ CHUA LEANG HAI	193,871,547	38.02
ENG AH GOH	42,118,037	8.26
CHUA AIK KHOON (CAI YIQUN)	29,847,663	5.85
CHUA SIOK HONG	19,898,442	3.90
PEH TIEW HOI OR CHUA YEN JOO (CAI YANRU)	12,874,292	2.52
CHUA HUA HONG	12,369,065	2.43
CHUA BOE	10,042,036	1.97
NG SING	9,451,760	1.85
CHUA HUA LEONG	8,915,376	1.75
TAN AH CHON	7,243,032	1.42
CHUA HOO SAI OR TI POH CHOO	7,203,236	1.41
CITIBANK NOMINEES SINGAPORE PTE LTD	6,976,400	1.37
LIM PENG KIAT	6,654,321	1.30
CHUA SEE	6,407,501	1.26
CHUA SIOK KHENG (CAI SHUQING)	5,969,532	1.17
CHUA SIOK PENG (CAI SHUPING)	5,869,532	1.15
DBS NOMINEES PTE LTD	5,807,400	1.14
CHUA TENG KOK	4,676,133	0.92
PEH LING PING (PEH MENG HOONG)	4,477,150	0.88
PEH CHANG YEW @ PEH BENG KIAT	4,477,149	0.88
	405,149,604	79.44

Based on the information available to the Company as at 18 March 2016, approximately 33.4% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Limited is complied with.

SUBSTANTIAL SHAREHOLDERS	NO. OF SHARES	%	NO. OF SHARES Deemed Interest	%
CHUA LEONG HAI @ CHUA LEANG HAI*	193,871,547	38.02	42,118,037	8.26
ENG AH GOH*	42,118,037	8.26	193,871,547	38.02
CHUA AIK KHOON (CAI YIQUN)	29,847,663	5.85	–	–

* Eng Ah Goh is the spouse of Chua Leong Hai and they are deemed to be interested in the shares held by each other.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **HOCK LIAN SENG HOLDINGS LIMITED** (the “Company”) will be held at Hotel Re! @ Pearl’s Hill, Level 2, Re! Union, 175A Chin Swee Road, Singapore 169879 on Tuesday, 26 April 2016 at 9.30 a.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2015 together with the Auditors’ Report thereon.
(Resolution 1)
2. To re-elect the following Directors of the Company who is retiring pursuant to Regulation 97 and 101 of the Constitution of the Company:-

(i)	Mr Chua Leong Hai	(Retiring under Regulation 97)	(Resolution 2)
(ii)	Mr Koh Lian Huat	(Retiring under Regulation 97)	(Resolution 3)
(iii)	Dr Ong Seh Hong	(Retiring under Regulation 97)	(Resolution 4)
(iv)	Ms Chua Siok Peng	(Retiring under Regulation 101)	(Resolution 5)

[See Explanatory Note (i)]
3. To declare a first and final dividend (tax exempt one-tier) of 2.5 Singapore cents per ordinary share for the financial year ended 31 December 2015.
(Resolution 6)
4. To approve the payment of Directors’ fees of S\$192,000 for the financial year ended 31 December 2015 for payment (FY2014: S\$162,000).
(Resolution 7)
5. To re-appoint Messrs Ernst & Young LLP, Public Accountants and Chartered Accountants, as the Auditor of the Company and to authorise the Directors of the Company to fix their remuneration.
(Resolution 8)
6. To transact any other ordinary business which may properly transacted at an Annual General Meeting.

SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:-

7. **Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited**

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”), the Directors of the Company be authorised and empowered to:-

- (A) (i) issue shares in the Company (“**shares**”) whether by way of rights, bonus or otherwise;
- (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares;
- (iii) issue additional Instrument arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalization issues;

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

Notice of Annual General Meeting

- (B) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares pursuant to any Instrument made or granted by the Directors of the Company while this Resolution was in force,

provided that:-

- (1) the aggregate number of shares (including shares to be issued pursuant to the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a *pro rata* basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:-
 - (a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the rules, guidelines and measures issued by the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (4) unless revoked or varied by the Company in General Meeting, the authority conferred by this Resolution shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

[See Explanatory Note (ii)]

(Resolution 9)

8. Authority to (i) offer and grant options and to issue shares pursuant to the HLS Employee Share Option Scheme; and (ii) offer and grant awards and to issue shares pursuant to the HLS Performance Share Plan.

“that approval be and is hereby given to the Directors to:-

- (i) Offer and grant options in accordance with the provisions of the HLS Employee Share Option Scheme (the “**Scheme**”) and to allot and issue from time to time, such number of shares as may be required to be issued pursuant to the exercise of options under the Scheme; and
- (ii) Offer and grant awards in accordance with the provisions of the HLS Performance Share Plan (the “**Plan**”) and to allot and issue from time to time such number of shares as may be required to be issued pursuant to the release of awards under the Plan.

Provided always that the aggregate number of shares to be issued pursuant to the Scheme and the Plan shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company at any time.”

[See Explanatory Note (iii)]

(Resolution 10)

Notice of Annual General Meeting

By Order of the Board

CHEW KOK LIANG
Company Secretary
Singapore

11 April 2016

Explanatory Notes:-

- (i) Mr Chua Leong Hai will, upon re-election as a Director of the Company, remain as executive Director and CEO and will be considered independent.

Mr Koh Lian Huat will, upon re-election as a Director of the Company, remain as the lead independent Director, Chairman of Audit and Risk Management Committee and a member of both the Nominating and Remuneration Committees and will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST.

Dr Ong Seh Hong will, upon re-election as a Director of the Company, remain as the Non-Executive Chairman and will remain as a Chairman of the Board and Remuneration Committee and a member of both Nominating and Audit and Risk Management Committees and will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST.

Ms Chua Siok Peng will, upon re-election as a Director of the Company, remain as executive Director and will be considered non-independent Director.

- (ii) Resolution 9 above, in item 7 above, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a *pro rata* basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

- (iii) Resolution 10, in item 8 above, if passed, will empower the Directors to issue shares up to an amount in aggregate not exceeding 15% of the issued share capital (excluding treasury shares) of the company pursuant to the HLS Share Option Scheme (the **"Scheme"**) and the HLS Performance Share Plan (the **"Plan"**) which was approved at the Extraordinary General Meeting of the Company on 1 December 2009. A copy of the respective Rules of the Scheme and of the Plan is available for inspection by shareholders during normal office hours at the Company's Registered Office.

Notice of Annual General Meeting

Notes:-

1. A Member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the Annual General Meeting (the **"Meeting"**) is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified.)
3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 80 Marine Parade Road, #21-08 Parkway Parade, Singapore 449269 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

* A Relevant Intermediary is:-

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal data privacy:-

By submitting an instrument appointing a proxy(ies) and / or representative(s) to attend, speak and vote at the Meeting and / or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the **"Purposes"**), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and / or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and / or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

HOCK LIAN SENG HOLDINGS LIMITED**(Company Registration No. 200908903E)**

(Incorporated In the Republic of Singapore)

IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We _____ NRIC/Passport No. _____
of _____

being a member/members of **HOCK LIAN SENG HOLDINGS LIMITED** (the "**Company**"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held at Hotel Re! @ Pearl's Hill, Level 2, Re!Union, 175A Chin Swee Road, Singapore 169879 on Tuesday, 26 April 2016 at 9.30 a.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolutions relating to:	No. of votes 'For'	No. of votes 'Against'
Ordinary Business			
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2015		
2	Re-election of Mr Chua Leong Hai as a Director under Regulation 97		
3	Re-election of Mr Koh Lian Huat as a Director under Regulation 97		
4	Re-election of Dr Ong Seh Hong as a Director under Regulation 97		
5	Re-election of Ms Chua Siok Peng as a Director under Regulation 101		
6	Declaration of First and Final Dividend		
7	Approval of Directors' fees amounting to S\$192,000 for the financial year ended 31 December 2015		
8	Re-appointment of Messrs Ernst & Young LLP as Auditor and to authorise the Directors of the Company to fix their remuneration		
Special Business			
9	Authority to allot and issue shares and convertible securities		
10	Authority to offer and grant options/awards and to issue shares pursuant to the HLS Share Option Scheme and HLS Performance Share Plan		

Dated this _____ day of _____ 2016

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

*Delete where inapplicable

Notes :

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).
5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 80 Marine Parade Road, #21-08 Parkway Parade, Singapore 449269 not less than 48 hours before the time appointed for the Meeting.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorized. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
8. A corporation which is a member may authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
9. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 April 2016.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.



HOCK LIAN SENG HOLDINGS LIMITED

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