

**Hock Lian Seng Holdings Limited**

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

FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

PART I : Information required for announcement of Quarterly Result

1(a)(i) An income statement and statement of comprehensive income or a statement of comprehensive income (for the group), together with comparative statements for the corresponding period of the immediately preceding financial year.

	Group		
	9 months ended		Change
	30.09.2014	30.09.2013	
	Restated*		
	\$'000	\$'000	%
Revenue	45,079	68,490	-34.2%
Cost of sales	(32,125)	(47,540)	-32.4%
Gross profit	12,954	20,950	-38.2%
Other income	1,884	1,505	25.2%
Distribution and selling costs	(109)	(1,559)	-93.0%
Administrative costs	(3,302)	(2,754)	19.9%
Changes in fair value of investment properties	(2,700)	(2,583)	4.5%
Changes in fair value of investment securities	(364)	(114)	219.3%
Other operating costs	(97)	(92)	5.4%
Share of results of jointly controlled entities	564	(55)	nm
Profit before taxation	8,830	15,298	-42.3%
Tax expenses	(1,687)	(3,195)	-47.2%
Profit after taxation	7,143	12,103	-41.0%
Attributable to:			
Equity holders of the Company	7,143	12,103	-41.0%

n.m. : - not meaningful

**The 2013 comparative figures have been restated to take into account the retrospective adjustments arising from adoption of revised FRS28 – Investments in Associates and Joint Ventures and FRS111 – Joint Arrangements as detailed in Section 5 of this announcement.*

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Consolidated statement of comprehensive income

	Group	
	9 months ended	
	30.09.2014	30.09.2013
	Restated	
	\$'000	\$'000
Profit after taxation	7,143	12,103
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
- Net (loss)/gain on fair value changes	27	(25)
Other comprehensive income	27	(25)
Total comprehensive income	7,170	12,078
Attributable to:		
Equity holders of the Company	7,170	12,078

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

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

	Group	
	9 months ended	
	30.09.2014	30.09.2013
	\$'000	\$'000
Depreciation of property, plant and equipment	1,043	967
Gain on disposal of property, plant and equipment	(44)	(111)
Interest income	(1,366)	(1,290)
Treasury notes early redemption fee	(180)	-
Dividend income from investment securities	(74)	(41)
Fair value changes on investment properties	2,700	2,583
Fair value changes on investment securities	364	114



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

	Group			Company	
	30.09.2014	31.12.2013	1.1.2013	30.09.2014	31.12.2013
	\$'000	Restated \$'000	Restated \$'000	\$'000	\$'000
Non-current assets					
Property, plant and equipment	7,872	7,253	7,388	-	-
Subsidiary companies	-	-	-	36,814	36,814
Investment in jointly controlled entities	30	107	509	-	-
Investment properties	5,950	8,650	11,430	-	-
Investment securities (non-current)	22,576	17,547	19,084	-	-
Deferred tax assets	883	279	273	-	-
	37,311	33,836	38,684	36,814	36,814
Current assets					
Development properties	204,092	157,874	115,144	-	-
Contract work-in-progress	3,676	4,297	5,241	-	-
Trade receivables	27,673	18,065	16,369	-	-
Other receivables	266	366	260	301	10,219
Amounts due from joint venture partner	122	764	294	-	-
Amounts due from jointly controlled entity	52,806	51,544	40,440	-	-
Prepayments and deposits	2,205	2,163	739	-	-
Investment securities (current)	2,625	6,497	3,856	-	-
Cash and short term deposits	115,690	102,778	111,561	25,370	24,824
	409,155	344,348	293,904	25,671	35,043
Current liabilities					
Trade and other payables	58,195	54,856	58,363	317	593
Amounts due to joint venture partner	130	680	152	-	-
Advance payment for construction project	11,090	-	-	-	-
Progress billings in excess of work-in-progress	60,372	58,270	63,241	-	-
Progress billings to customers	138,954	71,858	16,308	-	-
Provisions	5,693	6,968	8,603	-	-
Provision for taxation	2,911	6,023	5,099	9	19
	277,345	198,655	151,766	326	612
Net current assets	131,810	145,693	142,138	25,345	34,431
Non-current liabilities					
Long term bank loans	27,970	36,926	53,468	-	-
Deferred Income	1,194	688	131	-	-
Deferred tax liabilities	55	3	8	-	-
	29,219	37,617	53,607	-	-
Net assets	139,902	141,912	127,215	62,159	71,245
Equity					
Share capital	58,956	58,956	58,956	58,956	58,956
Capital reserve	1,000	1,000	1,000	-	-
Fair value adjustment reserve	15	(12)	9	-	-
Accumulated profits	96,170	98,207	83,489	3,203	12,289
Merger deficit	(16,239)	(16,239)	(16,239)	-	-
Total equity	139,902	141,912	127,215	62,159	71,245

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

Amount repayable in one year or less, or on demand

As at 30 September 2014		As at 31 December 2013(Restated)	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
-	-	-	-

Amount repayable after one year

As at 30 September 2014		As at 31 December 2013(Restated)	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
27,970	-	36,926	-

Details of collateral:

As at 30 September 2014, the Group's non-current secured borrowings of about \$28.0 million relate to property development projects and were secured over the development properties.



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

	< -----Group----- >	
	9 months ended	
	30.09.2014	30.09.2013
	Restated	
	\$'000	\$'000
Cash flows from operating activities		
Profit before taxation	8,830	15,298
Adjustments :		
Depreciation of property, plant and equipment	1,043	967
Gain on disposal of property, plant and equipment	(44)	(111)
Fair value changes on investment properties	2,700	2,583
Fair value changes on investment securities	364	114
Share of results of jointly controlled entities	(564)	55
Interest income	(1,546)	(1,290)
Dividend income from investment securities	(74)	(41)
Operating cash flows before working capital changes	10,709	17,575
(Increase)/decrease in:		
Contract work-in-progress	621	(860)
Development properties	(46,188)	(24,558)
Trade receivables	(9,608)	1,902
Other receivables	605	(462)
Prepayments and deposits	(42)	349
Increase/(decrease) in:		
Trade and other payables and provisions	2,662	(10,180)
Progress billings to customers	67,096	42,331
Progress billings in excess of work-in-progress	2,102	10,907
Advance payments received for construction project	11,090	-
Cash flows generated from/(used in) operations	39,047	37,004
Interest received	1,061	796
Income tax paid	(5,351)	(4,551)
Net cash flows generated from/(used in) operating activities	34,757	33,249
Cash flows from investing activities		
Purchases of property, plant and equipment	(1,762)	(1,314)
Amount due from a joint venture partner (net)	92	104
Amount due from jointly controlled entities	(1,262)	(9,302)
Dividend income received from jointly controlled entity	75	-
Purchases of investment securities (Held-to-maturity)	(5,007)	(3,755)
Purchases of investment securities (Fair value through profit or loss)	-	-
Proceeds from disposal of property, plant and equipment	112	275
Proceeds from maturity of investment securities (Held-to-maturity)	3,501	2,791
Interest received from investment securities (Held-to-maturity)	498	507
Dividend income received from investment securities	74	41
Net cash flows used in investing activities	(3,679)	(10,653)
Cash flows from financing activities		
Dividend paid	(9,180)	(9,179)
Repayment of bank loans	(8,986)	(14,556)
Net cash flows (used in)/generated from financing activities	(18,166)	(23,735)
Net increase /(decrease) in cash and cash equivalents	12,912	(1,139)
Cash and cash equivalents, Beginning Balance	102,778	111,561
Cash and cash equivalents, Ending Balance	115,690	110,422



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

Statement of changes in equity

Group

	Share capital	Capital reserve	Accumulated profits	Fair value adjustment reserve	Merger deficit	Total equity
	\$'000	\$'000	\$'000	\$'000		\$'000
At 1 January 2014	58,956	1,000	98,207	(12)	(16,239)	141,912
Total comprehensive income	-	-	7,143	27	-	7,170
Dividend on ordinary shares	-	-	(9,180)	-	-	(9,180)
At 30 September 2014	58,956	1,000	96,170	15	(16,239)	139,902
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2013	58,956	1,000	83,489	9	(16,239)	127,215
Total comprehensive income	-	-	12,103	(25)	-	12,078
Dividend on ordinary shares	-	-	(9,179)	-	-	(9,179)
At 30 September 2013	58,956	1,000	86,413	(16)	(16,239)	130,114

Company

	Share capital	Accumulated profits	Total Equity
	\$'000	\$'000	\$'000
At 1 January 2014	58,956	12,289	71,245
Total comprehensive income	-	93	93
Dividend on ordinary shares	-	(9,179)	(9,179)
At 30 September 2014	58,956	3,203	62,159
	\$'000	\$'000	\$'000
At 1 January 2013	58,956	11,137	70,093
Total comprehensive income	-	308	308
Dividend on ordinary shares	-	(9,179)	(9,179)
At 30 September 2013	58,956	2,266	61,222

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

	Number of shares	Issued and paid-up capital (\$)
Issued and fully paid shares as at 31 December 2013 and at 30 September 2014	<u>509,978,991</u>	<u>58,955,522</u>

There were no changes in the Company's share capital for the financial period ended 30 September 2014.

There were no outstanding treasury shares as at 30 September 2014.

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

	30 September 2014	As at 30 December 2013
Total number of issued shares (excluding treasury shares)	<u>509,978,991</u>	<u>509,978,991</u>

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

Not applicable.

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

The figures have not been audited or reviewed.

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

Not applicable.

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

Other than as mentioned in section 5 regarding the adoption of new and revised Financial Reporting Standards (FRS), there were no further changes in accounting policies and methods of computation adopted in the financial statements of the current reporting period as compared to the most recently audited annual financial statements as at 31 December 2013.

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

The Group has adopted all the applicable new/revised Financial Reporting Standards (FRS) that become effective for accounting periods beginning 1 January 2014. The adoption of these new/revised FRS did not result in any significant impact to the financial statements of the Group, except for the revised FRS 28 –Investments in Associates and Joint Ventures and FRS 111 “Joint Arrangements”. The Group’s investments in Bukit Timah Green Development Pte Ltd and HLE Management Pte Ltd are accounted for using the equity method with effect from 1 January 2014.

This change of accounting policy was applied retrospectively and the effects on the comparatives arising from the adoption of new FRS 111, subject to year-end audit, are as follows:

	Increase/ (Decrease)	
	9 months ended 30.09.2013	
Group		
Income statement		
	\$'000	
Sales	(29)	
Administrative costs	(82)	
Share of loss of joint ventures	55	
Tax expenses	(2)	
Profit before taxation	-	
Group	Increase/ (Decrease)	
Balance Sheet	31.12.2013	1.1.2013
	\$'000	\$'000
<u>Assets</u>		
Investment in Jointly controlled entities	107	509
Deferred tax asset	(374)	-
Development Properties	(138,905)	(125,989)
Trade receivable	(2,278)	-
Other receivable	(1)	-
Amount due from joint venture partners	(25,786)	(20,224)
Amount due from Jointly controlled entity	51,544	40,440
Prepayments and deposits	(31)	
Cash and short term deposits	(4,902)	(257)
<u>Liabilities</u>		
Trade and other payables	(5,655)	(223)
Amount due to joint venture partners	(25,494)	(20,220)
Provisions	1,359	-
Provision for taxation	(2)	(2)
Long term bank loan	(91,522)	(85,207)
Deferred income	688	131

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

Earning per share ("EPS")

	< ----- Group ----- > 9 months ended	
	30.9.2014	30.9.2013
Earnings attributable to equity holders of the Company (S\$'000)	7,143	12,103
Weighted average number of ordinary shares used in computation of basic and fully diluted EPS	509,978,991	509,978,991
Basic EPS attributable to equity holders of the Company (cents)	1.4	2.4
Fully diluted EPS attributable to equity holders of the Company (cents)	1.4	2.4

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

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

Net asset value ("NAV")

	Group As at		Company As at	
	30.9.2014	31.12.2013	30.9.2014	31.12.2013
NAV per ordinary share (cents)	27.4	27.8	12.2	14.0
Number of shares used in computation of NAV per share	509,978,991	509,978,991	509,978,991	509,978,991

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8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

9 months 2014 compared with 9 months 2013 Performance and segmental review

Revenue

In \$' million	9M 2014	%	9M 2013	%
Civil Engineering	37.1	82.3	60.9	88.9
Investment Properties	8.0	17.7	7.6	11.1
	45.1	100.0	68.5	100.0

Revenue decreased by \$23.4 million (34.2%) to \$45.1 million for the financial period ended 30 September 2014, mainly due to the much lower progress billing recognized for the Marina Coastal Expressway project as the project is at the end of the construction phase and the two new projects have just commenced construction activities.

The revenue from workers dormitory business was marginally higher by \$0.4 million to \$8.0 million.

Gross Profit

In \$' million	9M 2014	9M 2013
Civil Engineering	7.5	15.6
Investment Properties	5.5	5.4
	13.0	21.0

Gross profit reduced by \$8.0 million (38.2%) to \$13.0 million for the current financial period in line with the lower turnover of the Civil Engineering segment. The gross profit for workers dormitory remained stable.

Other income increased by \$0.4 million to \$1.9 million mainly due to a one time bond early redemption fee of \$0.2 million and higher interest income of \$0.2 million.

Distribution cost was much lower in view of the lower marketing cost for two industrial development projects, namely Ark@Gambas and Ark@KB as they are substantially sold in 2013.

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

The fair value of the investment securities was adjusted downward by \$0.4 million in accordance with the market price of the quoted shares market value as at end of 30 Sep 2014.

With the revised FRS 28 and FRS 111, the Joint venture project for the Dairy Farm Project, the Skywoods, is accounted for using the equity method, and the share of profit for the current financial period was \$0.6 million. Previously this joint venture is accounted for using proportionate accounting.



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Profit before taxation decreased by \$5.0 million to \$7.1 million, resulting mainly from the lower revenue and gross profit .

Financial Position Review

Non-current assets for the financial period ended 30 September 2014 was \$3.5 million higher mainly due to the acquisition of the held –to- maturities security of \$5.0 million, off set by the decrease in the fair value of the worker dormitory of \$2.7 million.

The Group's current assets increased by \$64.9 million to \$409.2 million. This was mainly due to the additional construction costs of \$46.2 million incurred for the developments projects, higher progress billings for construction project in September of about \$10 million.

Group's current liabilities increased by \$78.6 million to \$277.3 million. This was mainly due to the higher progress billings received for the development projects of \$67.0 million and the advance payment from customer for new construction project of \$11.0 million,

The Group's non-current bank borrowings was \$8.9 million lower to 28.0 million due to partial repayment.

Cash Flow Review

As at 30 Sep 2014, the Group had cash and cash equivalent of \$115.7 million, increased by \$12.9 million for the current financial period. The additional cash was mainly generated from the operating activities of \$34.8 million, offset by the dividend payment of \$9.2 million, bank loan repayment of \$8.9 million and acquisition of treasury bonds of \$5.0 mil. The cash flow from operating activities was mainly due to the progress billings received for the two industrial development projects.

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

The current announced results are in line with the general prospect commentary previously disclosed to shareholders in the results announcement [for the half year ended 30 June 2014](#).

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

As at 30 September 2014, the Group's order book for on-going projects of civil engineering segment was approximately \$345 million for the Maxwell station, Changi Airport project and balance of work for Jalan Gali Batu Depot and Marina Coastal Expressway projects. The construction of the Group's two industrial development properties, namely, Ark@Gambas and Ark@KB, are undertaken by own construction arm. The total contract values of the 2 projects amounted to about \$96 million.

The construction of the two industrial property developments are expected to be completed by early 2015. Ark@Gambas and Ark@KB was about 80% and 99% sold respectively as at today. The joint venture residential project at Dairy Farm Road was launched in September 2013. Tuas site was awarded in October by JTC, the land acquisition is to be completed in Jan 2015.

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With the strong balance sheet and cash flow position, the management will continue to tender for infrastructure projects competitively and explore other business opportunities in property related segment to enhance the shareholders' value.

11. Dividend**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on ?

Nil.

(b) Corresponding Period of the immediately Preceding Financial year

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

Nil.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable

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

No interim dividend for the financial period ended 30 September 2014 is recommended.

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

There is no general mandate from shareholders for IPTs.

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Lian Seng Investment Pte Ltd -	\$'000	\$'000
Office lease expenses received /receivable from the Group	182	Nil
Purchase of units at Ark@Gambas from the Group	3,200	
	3,382	

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14. Update on use of IPO proceeds

The Company was admitted to the Official List of the SGX-ST on 21 December 2009 and raised a net proceeds of \$25.6 million. As at the date of this report, the Group has utilized the net proceeds as follows:

The allocation of each principal intended use of proceeds is set out below:

Intended Use	Amount allocated \$'000	Amount utilized \$'000	Balance \$'000
Acquisition of central workshop	4,000	-	4,000
Acquisition of equipment and machinery	8,000	5,452	2,548
Working capital	13,600	13,600	-
Total	25,600	19,052	6,548

The Company will continue to make periodic announcement via SGXNET on the utilization of the balance of the proceeds from the IPO as and when such proceeds are materially disbursed.

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

The Directors of the Company confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial results for the period ended 30 September 2014 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

CHUA LEONG HAI
Executive Director and CEO

6 November 2014