

**Hock Lian Seng Holdings Limited**

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Company Registration Number 20090890E

FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016

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

	Group		Change
	First quarter ended		
	31.03.2016	31.03.2015	
	\$'000	\$'000	%
Revenue	23,590	103,866	-77.3%
Cost of sales	(22,157)	(79,073)	-72.0%
Gross profit	1,433	24,793	-94.2%
Other income	1,114	591	88.5%
Distribution and selling costs	(3)	(959)	-99.7%
Administrative costs	(982)	(2,033)	-51.7%
Changes in fair value of investment properties	-	(900)	-100.0%
Changes in fair value of investment securities	88	291	-69.8%
Other operating costs	(54)	(31)	74.2%
Share of results of joint venture	1,070	643	66.4%
Profit before taxation	2,666	22,395	-88.1%
Tax expenses	(161)	(3,792)	-95.8%
Profit after taxation	2,505	18,603	-86.5%
Attributable to:			
Equity holders of the Company	2,505	18,603	-86.5%

n.m. : - not meaningful



Consolidated statement of comprehensive income

	Group	
	First quarter ended	
	31.3.2016	31.3.2015
	\$'000	\$'000
Profit after taxation	2,505	18,603
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
- net change in fair value	113	4
Other comprehensive income	113	4
Total comprehensive income	2,618	18,607
Attributable to:		
Equity holders of the Company	2,618	18,607

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

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

	Group	
	First quarter ended	
	31.3.2016	31.3.2015
	\$'000	\$'000
Depreciation of property, plant and equipment	539	415
Interest income	(984)	(362)
Dividend income from investment securities	(9)	(10)
Fair value changes on investment properties	-	900
Fair value changes on investment securities	(88)	291



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.

Balance Sheet (unaudited)

	Group		Company	
	31.03.2016	31.12.2015	31.03.2016	31.12.2015
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	9,684	8,902	-	-
Subsidiary companies	-	-	37,814	37,814
Investment in joint venture	6,335	5,265	-	-
Investment properties	3,350	3,350	-	-
Investment securities (non-current)	28,204	24,482	-	-
Deferred tax assets	6,751	6,897	-	-
	54,324	48,896	37,814	37,814
Current assets				
Development properties	47,177	46,710	-	-
Contract work-in-progress	12,465	12,103	-	-
Trade receivables	7,750	6,435	-	-
Other receivables	207	764	11,993	11,439
Amounts due from a joint venture partner	5	43	-	-
Amounts due from a joint venture	62,079	60,457	-	-
Prepayments and deposits	617	432	-	-
Investment securities (current)	5,834	8,747	-	-
Cash and short term deposits	153,522	156,907	56,772	57,350
	289,656	292,598	68,765	68,789
Current liabilities				
Trade and other payables	51,809	50,827	1,426	1,491
Loans and borrowings	51	51	-	-
Amounts due to a joint venture partner	7	38	-	-
Progress billings in excess of work-in-progress	1,761	1,828	-	-
Provisions	44,368	45,388	-	-
Provision for taxation	6,252	6,235	34	33
	104,248	104,367	1,460	1,524
Net current assets	185,408	188,231	67,305	67,265
Non-current liabilities				
Loans and borrowings	15,490	15,503	-	-
	15,490	15,503	-	-
Net assets	224,242	221,624	105,119	105,079
Equity				
Share capital	58,956	58,956	58,956	58,956
Capital reserve	1,000	1,000	-	-
Fair value adjustment reserve	72	(41)	-	-
Accumulated profits	180,453	177,948	46,163	46,123
Merger deficit	(16,239)	(16,239)	-	-
Total equity	224,242	221,624	105,119	105,079



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

Amount repayable in one year or less, or on demand

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

Amount repayable after one year

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

Details of collateral:

As at 31 March 2016, the Group's non-current secured borrowings of \$15,490,000 was obtained for the purpose of a property development project, which was secured over the development site at Tuas.

The other current secured borrowings of \$51,000 relate to hire purchase creditor secured by way of rights to the leased asset under the agreement.



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

	< -----Group----- >	
	First Quarter ended	
	31.03.2016	31.03.2015
Cash flows from operating activities	\$'000	\$'000
Profit before taxation	2,666	22,395
Adjustments :		
Depreciation of property, plant and equipment	539	415
Fair value changes on investment properties	-	900
Fair value changes on investment securities	(88)	(291)
Share of results of joint venture	(1,070)	(642)
Interest income	(984)	(362)
Dividend income from investment securities	(9)	(10)
Operating cash flows before working capital changes	1,054	22,405
(Increase)/decrease in:		
Contract work-in-progress	(362)	(737)
Development properties	(467)	27,569
Trade receivables	(1,315)	10,122
Other receivables	213	(602)
Prepayments and deposits	(185)	8,635
Increase/(decrease) in:		
Trade and other payables and provisions	(37)	(4,477)
Progress billings to customers	-	(46,955)
Progress billings in excess of work-in-progress	(68)	2,249
Advance payments received for construction project	-	(1,849)
Cash flows generated from operations	(1,167)	16,360
Interest received	862	271
Income tax paid	2	(2)
Net cash flows generated from operating activities	(303)	16,629
Cash flows from investing activities		
Purchases of property, plant and equipment	(1,321)	(1,588)
Amount due from a joint venture partner (net)	7	13
Amounts due from joint ventures	(1,622)	(1,920)
Purchases of investment securities (Held-to-maturity)	(3,605)	(751)
Proceeds from maturity of investment securities (Held-to-maturity)	3,000	-
Interest received from investment securities (Held-to-maturity)	463	399
Dividend income received from investment securities	9	10
Net cash flows used in investing activities	(3,069)	(3,837)
Cash flows from financing activities		
Repayment of bank loans	-	(4,992)
Proceeds from bank loans	-	15,490
Repayment of obligations under finance lease	(13)	-
Net cash flows used in financing activities	(13)	10,498
Net (decrease)/increase in cash and cash equivalents	(3,385)	23,290
Cash and cash equivalents, Beginning Balance	156,907	165,538
Cash and cash equivalents, Ending Balance	153,522	188,828



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

Statement of changes in equity

Group

	Share capital	Capital reserve	Accumulated profits	Fair value adjustment reserve	Merger deficit	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2016	58,956	1,000	177,948	(41)	(16,239)	221,624
Total comprehensive income	-	-	2,505	113	-	2,618
Dividend on ordinary shares	-	-	-	-	-	-
At 31 March 2016	58,956	1,000	180,453	72	(16,239)	224,242
At 1 January 2015	58,956	1,000	161,647	-	(16,239)	205,364
Total comprehensive income	-	-	18,602	4	-	18,606
Dividend on ordinary shares	-	-	-	-	-	-
At 31 March 2015	58,956	1,000	180,250	4	(16,239)	223,971

Company

	Share capital	Accumulated profits	Total Equity
	\$'000	\$'000	\$'000
At 1 January 2016	58,956	46,123	105,079
Total comprehensive income	-	40	40
Dividend on ordinary shares	-	-	-
At 31 March 2016	58,956	46,163	105,119
At 1 January 2015	58,956	41,125	100,081
Total comprehensive income	-	79	79
Dividend on ordinary shares	-	-	-
At 31 March 2015	58,956	41,204	100,160



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

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

There were no changes in the Company's share capital for the financial period ended 31 March 2016.

There were no outstanding treasury shares as at 31 March 2016.

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

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

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

Not applicable.

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

The figures have not been audited or reviewed.

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

Not applicable.

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

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



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

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

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

Earning per share ("EPS")

	< ----- Group ----- > 3 months ended	
	31.3.2016	31.3.2015
Earnings attributable to equity holders of the Company (\$'000)	2,505	18,603
Weighted average number of ordinary shares used in computation of basic and fully diluted EPS	509,978,991	509,978,991
Basic EPS attributable to equity holders of the Company (cents)	0.49	3.65
Fully diluted EPS attributable to equity holders of the Company (cents)	0.49	3.65

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	
	31.3.2016	31.12.2015	31.3.2016	31.12.2015
NAV per ordinary share (cents)	44.0	43.5	20.6	20.6
Number of shares used in computation of NAV per share	509,978,991	509,978,991	509,978,991	509,978,991



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

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

3 months 2016 compared with 3 months 2015 Performance and segmental review

Revenue

In \$' million	3M 2016	%	3M 2015	%
Civil Engineering	23.5	99.6	16.6	16.0
Property Development	-	-	84.7	81.5
Investment Properties	0.1	0.4	2.6	2.5
	23.6	100.0	103.9	100.0

Revenue for Civil Engineering segment increased by \$6.9 million as the construction work for stabling yard at Gali Batu has picked up in Q1 2016. However total revenue for the group decreased by \$80.3 million (77%) to \$23.6 million as no sales was recorded for property development segment. Q1 2015 property development segment sales was mainly attributed to the recognition of the ark@KB project. There was no such development project for recognition for current financial period and the balance units at Ark@Gambas remain unsold due to the poor market sentiments for industrial buildings. The revenue from Investment property segment was only \$0.1 million as the workers dormitory has ceased operation since end of 2015.

Gross Profit

In \$' million	3M 2016	3M 2015
Civil Engineering	1.4	1.7
Property Development	-	21.3
Investment Properties	-	1.8
	1.4	24.8

Gross profit decreased by \$23.4 million (94%) to \$1.4 million for the current financial period as there is no contribution from property Development and negligible contribution from the rental from investment properties. The gross profit from the civil engineering segment has reduce by \$0.3 million despite higher sales, mainly due to the lower gross margin from the existing civil engineering projects.

Other income increased by \$0.5 million (+89%) to \$1.1 million, this was mainly due to the higher interest income of \$0.6 million.

Distribution cost reduced by \$0.9 million to only \$3,000 for the current financial period as there was minimal selling activities for the Property Development segment.

Administrative expenses decreased by \$1.1 million (52%) to \$1.0 million for the current financial period due to the lower performance bonus accrued in line with the drop in profit, partially offset by the higher staff cost.

No impairment was recorded for current period as the impairment for Q1 2015 was related to the workers dormitory which has been demolished end of 2015.

The share of result of joint venture was \$1.1 million, compared to \$0.6 million recorded for 1Q 2015. This was mainly due to the increased sales and further progress in the construction works for the Skywoods project. The project has obtained TOP in early May 2016. This private residential project is recognised by percentage of completion method.



Profit before taxation decreased by \$16.1 million to \$2.7 million, resulting mainly from absence of sales revenue from Property Development segment and the lower gross margin for Civil Engineering Segment, partially offset by the higher profit sharing from the Joint Venture in the residential development project and interest income.

Financial position and cash flow review

The main movements are:

- Increase in property, plant and equipment of 0.8 million, was mainly due to the acquisition of various plant and equipments to meet the requirement of ongoing projects.
- Increase in joint venture was due to the profit recognition of the Joint Venture residential development project, The Skywoods.
- Increase in investment securities (total of current and non-current) by \$0.8 million, was mainly due to the acquisition of the held-to-maturity securities of \$3.6 million offset by the redemption of the matured bond of \$3 million.
- Increase in development properties by \$0.5 million mainly due to the additional construction cost incurred for the Tuas development project (Shine@TuasSouth) in Q1 2016.
- Increase in trade receivables by \$1.3 million mainly due to the higher progress billings for civil engineering projects in March 2016.
- Increase in amounts due from a joint venture of \$1.5 million was for the funding for the additional marketing cost of The Skywoods.
- Net decrease of cash and short term deposits of \$3.4 million for the current financial period was mainly due to the cash outflow for investing activities: additional loan of \$1.6 million to Joint venture, acquired of investment securities of \$3.6 million and new plant and equipment of \$1.3 million offset by the redemption of held-to maturity securities of \$3.0 mil.

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

The current announced results are in line with the general prospect commentary previously disclosed to shareholders in the results announcement for the financial year ended 31 December 2015.

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

As at 31 March 2016, the Group's order book for on-going projects of civil engineering segment was approximately \$365 million for the Maxwell station, Changi Airport project and Stabling at Gali Batu Depot. The construction of the Group's new industrial development property at Tuas has commenced and expected to be completed in 2018.

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

11. Dividend

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

Nil.

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

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



Nil.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable

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

No interim dividend for the financial period ended 31 March 2016 is recommended.

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

There is no general mandate from shareholders for IPTs.

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Office lease expenses paid to Lian Seng Investment Pte Ltd	\$'000 67	\$'000 Nil

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

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

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

The Directors of the Company confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial results for the period ended 31 March 2016 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

CHUA LEONG HAI

Executive Director and CEO

11 May 2016