

**Hock Lian Seng Holdings Limited**

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 Company Registration Number 200908903E

**FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT FOR THE FINANCIAL
 PERIOD ENDED 30 SEPTEMBER 2018**

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
	30.09.2018	30.09.2017	
	Restated		
	\$'000	\$'000	%
Revenue	151,678	85,699	77.0%
Cost of sales	(138,477)	(76,848)	80.2%
Gross profit	13,201	8,851	49.1%
Other income	2,496	2,808	-11.1%
Distribution and selling costs	(22)	-	n.m.
Administrative costs	(4,011)	(3,526)	13.8%
Changes in fair value of investment securities	(116)	46	n.m.
Impairment loss on investment securities	(250)	-	n.m.
Other operating costs	(511)	(222)	130.2%
Share of results of joint venture, net of tax	1,164	(14)	n.m.
Profit before taxation	11,951	7,943	50.5%
Tax expenses	(1,509)	(1,236)	22.1%
Profit after taxation	10,442	6,707	55.7%
Attributable to:			
Equity holders of the Company	10,442	6,707	55.7%

n.m. : - not meaningful



Consolidated statement of comprehensive income

	Group	
	9 months ended	
	30.09.2018	30.09.2017
	Restated	
	\$'000	\$'000
Profit after taxation	10,442	6,707
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
- net change in fair value	(195)	232
Cash flow hedge	-	(461)
- net change in fair value		
Other comprehensive income	(195)	(229)
Total comprehensive income	10,247	6,478
Attributable to:		
Equity holders of the Company	10,247	6,478

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	
	30.09.2018	30.09.2017
	\$'000	\$'000
Depreciation of property, plant and equipment	3,976	2,746
Loss/(gain) on foreign exchange	(361)	1
Loss/(gain) on disposal of property, plant and equipment	(181)	(203)
Impairment loss on investment securities	250	-
Interest income	(1,692)	(2,257)
Dividend income from investment securities	(101)	(69)
Fair value changes on investment securities	116	(46)



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	
	30.09.2018	31.12.2017	1.1.2017	30.09.2018	31.12.2017
	\$'000	Restated \$'000	Restated \$'000	\$'000	\$'000
Non-current assets					
Property, plant and equipment	37,547	35,049	15,629	-	-
Subsidiary companies	-	-	-	37,814	37,814
Investment in joint venture	2,417	1,303	15,313	-	-
Investment properties	2,900	2,900	3,100	-	-
Investment securities	29,740	23,013	26,765	-	-
Deferred tax assets	928	1,597	3,802	-	-
	73,532	63,862	64,609	37,814	37,814
Current assets					
Development properties	100,008	99,725	71,904	-	-
Contract assets	20,161	9,821	7,694	-	-
Trade receivables	16,410	19,457	13,661	-	-
Other receivables	8,367	1,432	429	57,243	49,258
Amounts due from a joint venture	34,442	72	157	-	-
Prepayments and deposits	3,498	2,718	1,427	-	-
Investment securities	5,220	9,330	4,460	-	-
Cash and short term deposits	78,220	132,081	205,984	2,028	5,245
	266,326	274,636	305,716	59,271	54,503
Current liabilities					
Trade and other payables	70,803	62,860	50,322	395	474
Loans and borrowings	12,690	-	13	-	-
Amounts due to joint venture partners	140	71	9	-	-
Advance payment received for construction project	5,277	5,277	-	-	-
Contract liabilities	36,977	40,422	32,203	-	-
Progress billings to customers	-	1,566	455	-	-
Provisions	12,240	13,058	26,797	-	-
Provision for taxation	1,397	2,190	1,562	75	138
	139,524	125,444	111,361	470	612
Net current assets	126,802	149,192	194,355	58,801	53,891
Non-current liabilities					
Loans and borrowings	-	15,090	15,490	-	-
Deferred income	342	-	-	-	-
	342	15,090	15,490	-	-
Net assets	199,992	197,964	243,474	96,615	91,705
Equity					
Share capital	59,954	58,956	58,956	59,954	58,956
Capital reserve	1,000	1,000	1,000	-	-
Fair value reserve	345	540	177	-	-
Accumulated profits	154,932	153,707	199,580	36,661	32,749
Merger deficit	(16,239)	(16,239)	(16,239)	-	-
Total equity	199,992	197,964	243,474	96,615	91,705



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 2018		As at 31 December 2017	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
12,690	-	-	-

Amount repayable after one year

As at 30 September 2018		As at 31 December 2017	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
-	-	15,090	-

Details of collateral:

As at 30 September 2018, the Group's secured borrowings of \$12,690,000 was reclassified as current liabilities as the project financing for the development at Tuas is due for payment by February 2019.



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	
	30.09.2018	30.09.2017
	Restated	
	\$'000	\$'000
Cash flows from operating activities		
Profit before taxation	11,951	7,943
Adjustments :		
Depreciation of property, plant and equipment	3,976	2,746
Loss/(gain) on disposal of property, plant and equipment	(181)	(203)
Impairment loss on investment securities	250	-
Fair value changes on investment securities	116	(46)
Share of results of joint venture	(1,164)	14
Interest income	(1,692)	(2,257)
Share-based compensation expenses	998	-
Unrealised exchange (gain)/loss	(361)	-
Dividend income from investment securities	(101)	(69)
Operating cash flows before working capital changes	13,792	8,128
(Increase)/decrease in:		
Contract assets	(10,340)	414
Development properties	(283)	(23,824)
Trade receivables	3,047	(2,516)
Other receivables	(7,317)	(28)
Prepayments and deposits	(780)	(1,810)
Increase/(decrease) in:		
Trade and other payables and provisions	7,123	6,981
Progress billings to customers	(1,566)	1,253
Contract liabilities	(3,445)	3,375
Deferred income	342	-
Cash flows (used in) / generated from operations	573	(8,027)
Interest received	1,020	1,396
Income tax paid	(1,632)	(1,200)
Net cash flows (used in) / generated from operating activities	(39)	(7,831)
Cash flows from investing activities		
Purchases of property, plant and equipment	(6,562)	(18,562)
Dividend income received from joint venture	500	14,500
Decrease/(increase) in amount due from a joint venture partner (net)	63	6,239
Decrease/(increase) in amounts due from joint ventures	(34,363)	(6,146)
Acquisition of interest in a joint venture company	(450)	-
Purchases of investment securities	(11,999)	(4,902)
Proceeds from disposal of property, plant and equipment	269	340
Proceeds from maturity/redemption of investment securities	8,775	4,006
Interest received from investment securities	1,100	1,196
Dividend income received from investment securities	101	69
Net cash flows (used in) / generated from investing activities	(42,566)	(3,260)
Cash flows from financing activities		
Dividend paid	(9,217)	(63,747)
Repayment of bank loans	(2,400)	-
Repayment of obligations under finance lease	-	(13)
Net cash flows used in financing activities	(11,617)	(63,760)
Net increase/(decrease) in cash and cash equivalents	(54,222)	(74,851)
Effect of exchange differences on cash and cash equivalents	361	(461)
Cash and cash equivalents, Beginning balance	132,081	205,984
Cash and cash equivalents, Ending balance	78,220	130,672



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 2018	58,956	1,000	157,160	540	(16,239)	201,417
Impact from adoption of FRS115	-	-	(3,453)	-	-	(3,453)
1 January 2018 Restated	58,956	1,000	153,707	540	(16,239)	197,964
Total comprehensive income	-	-	10,442	(195)	-	10,247
Dividend on ordinary shares	-	-	(9,217)	-	-	(9,217)
Share-based payment	998	-	-	-	-	998
At 30 September 2018	59,954	1,000	154,932	345	(16,239)	199,992
At 1 January 2017	58,956	1,000	201,130	177	(16,239)	245,024
Impact from adoption of FRS 115	-	-	(1,550)	-	-	(1,550)
1 January 2017 Restated	58,956	1,000	199,580	177	(16,239)	243,474
Total comprehensive income	-	-	6,707	(229)	-	6,478
Dividend on ordinary shares	-	-	(63,747)	-	-	(63,747)
At 30 September 2017	58,956	1,000	142,540	(52)	(16,239)	186,205

Company

	Share capital	Accumulated profits	Total Equity
	\$'000	\$'000	\$'000
At 1 January 2018	58,956	32,749	91,705
Cost of share-based payment	998	-	998
Total comprehensive income	-	13,129	13,129
Dividend on ordinary shares	-	(9,217)	(9,217)
At 30 September 2018	59,954	36,661	96,615
At 1 January 2017	58,956	76,974	135,930
Total comprehensive income	-	19,107	19,107
Dividend on ordinary shares	-	(63,747)	(63,747)
At 30 September 2017	58,956	32,334	91,290



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

Issued and paid up capital

As at beginning of financial year

Issue of shares pursuant HLS Performance Share Plan

As at end of financial period

FY2018		FY2017	
No of shares	\$'000	No of shares	\$'000
509,978,991	58,956	509,978,991	58,956
2,125,000	998	-	-
512,103,991	59,954	509,978,991	58,956

There were no outstanding treasury shares as at 30 September 2018.

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.

	As at 30 September 2018	31 December 2017
Total number of issued shares (excluding treasury shares)	512,103,991	509,978,991

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

Not applicable.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable.

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

The figures have not been audited or reviewed.

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

Not applicable.



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

Except as disclosed in paragraph 5, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 31 December 2017.

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.**

Singapore-incorporated companies listed on the Singapore Exchange are required to apply a new financial reporting framework identical to the IFRS, Singapore Financial standards (International) (SFRS(I)s), for annual periods beginning on or after 1 January 2018.

The Group has adopted SFRS(I)s on 1 January 2018 and has prepared its first set of financial information under SFRS(I) for the financial period ended 30 September 2018. The new framework will have no material impact on the financial statements in the year of application except as follows:

SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 establishes a five step model to account for revenue arising from contracts with customers, and introduces a new contracts costs guidance. Under SFRS(I) 15, revenue is recognized at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning or after 1 January 2018. The Group has applied the changes in accounting policies retrospectively to each reporting year presenting, using the full retrospective approach. As such, the comparative 2017 figures in this report is not comparable to previously announced 2017 figures.

The following comparative figures that have been restated with significant impact arising from the adoption of SFRS(I) 15 are summarized below:

Group	30.09.2017	Adjustment	30.09.2017
	FRS		Restated SFRS(I)
Income statement			
	\$'000	\$'000	\$'000
Sales	100,629	(14,930)	85,699
Cost of sales	(89,596)	12,748	(76,848)
Gross profit	11,033	(2,182)	8,851
Profit before taxation	10,125	(2,182)	7,943
Profit after taxation	8,518	(1,811)	6,707
Group	31.12.2017	Adjustment	31.12.2017
	FRS		Restated SFRS(I)
Balance Sheet	\$'000	\$'000	\$'000
<u>Assets</u>			
Deferred tax asset	967	630	1,597
Contract work-in-progress*	9,989	(168)	9,821
<u>Liabilities</u>			
Progress billings in excess of work-in-progress #	36,507	3,915	40,422
<u>Equity</u>			
Accumulated profits	157,160	(3,453)	153,707

* "Contract work-in-progress" has been reclassified as " Contract Assets" in SFRS(I) 15

"Progress billings in excess of work-in-progress" has been reclassified as " Contract Liabilities" in SFRS(I) 15



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.

Earnings per share ("EPS")

	< ----- Group ----- > 9 months ended 30.9.2018	30.9.2017 Restated
Earnings attributable to equity holders of the Company (\$'000)	10,442	6,707
Weighted average number of ordinary shares used in computation of basic and fully diluted EPS	511,403,442	509,978,991
Basic EPS attributable to equity holders of the Company (cents)	2.04	1.32
Fully diluted EPS attributable to equity holders of the Company (cents)	2.04	1.32

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 30.9.2018	31.12.2017 Restated	Company As at 30.9.2018	31.12.2017
NAV per ordinary share (cents)	39.0	38.8	18.8	18.0
Number of shares used in computation of NAV per share	512,103,991	509,978,991	512,103,991	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.

9 months 2018 compared with 9 months 2017 Performance and segmental review

Revenue

In \$' million	9M 2018	%	9M 2017 Restated	%
Civil Engineering	147.1	97.0	85.4	99.6
Property Development	4.3	2.8	-	-
Investment Properties	0.3	0.2	0.2	0.4
	151.7	100.0	85.7	100.0

Revenue increased by 77% to \$151.7 million, contributed mainly from the much higher construction activities for the Joint Venture Changi Airport project. Revenue of \$4.3 million was recognized for Property Development in relation to the sales of units at Shine@TuasSouth. About 5% of the units at Shine@TuasSouth were sold as at 30 September 2018. Rental income from Investment properties remained insignificant.

Gross Profit

In \$' million	9M 2018	9M 2017 Restated
Civil Engineering	13.1	8.9
Property Development	-	-
Investment Properties	0.1	-
	13.2	8.9

Gross profit increased by \$4.3 million (+49%) to \$13.2 million mainly due to the higher revenue from the Civil Engineering segment. Gross margin for the ongoing projects was lower for the current financial period. No contribution of gross profit from Property development segment despite of sales recognition, as the Shine@TuasSouth project is not expected to be profitable due to current subdued market conditions.

Other income reduced by \$312,000 (-11%), as the interest income was about \$600,000 lower, offset by the foreign exchange gain of about \$300,000 recognized for the USD holdings.

Administrative expenses was \$4.0 million, about 23% higher than same period last year mainly due to the share of litigation expenses for the on-going arbitration hearing for the Jalan Gali Batu Deport joint venture project which amounted to about \$500,000.

Impairment loss on investment securities of \$250,000 was relating to default payment of a fixed rate bond (financial asset at amortised cost) due for redemption. The revaluation loss for the investment securities measured at fair value through profit or loss was \$0.1 million for the current financial period.

Other operating cost was \$0.5 million, about \$0.3 million (+ 103%) higher than same period last year, mainly due to the property maintenance cost for Shine@TuasSouth project after TOP.

The share of result of joint venture of \$1.2 million was the cost saving realized for the Skywoods joint venture project as final account was settled with the contractor.



The effective tax rate was lower than the effective tax rate of 17% of Singapore corporate tax rate mainly due to about \$280,000 excess tax provision for previous years written off in current financial period.

Profit before taxation increased by \$4.0 million to \$12.0 million, resulting mainly from the higher revenue, share of profit of joint venture, offset by the higher administration cost and impairment in investment securities.

Financial position and cash flow review

The main movements are:

- Increase in property, plant & equipment was related the additional construction cost incurred for the central workshop for the group which is due for completion by end of 2018.
- Increase in investment securities (total of current and non-current) by \$2.6 million, was mainly due to the new addition of \$12.0 million fixed income notes, offset by \$8.8 million redemption, \$0.35 million impairment and revaluation loss.
- Development properties of \$100 million complied of the inventories for completed units at Ark@Gambas and Shine@Tuas.
- Increase in contract asset mainly due to the higher retention receivable relating to on going projects.
- Increase in other receivable was mainly due to the advance payment to subcontractors/suppliers.
- Amount due from joint venture of \$34.4 million was for the shareholder loan relating to the Mattar road residential project.
- Bank's borrowing of \$12.7million was reclassified as current liability as the loan is due for repayment by Feb 2019.
- Deferred income of \$342,000 was mainly related to the interest charges to JV company for the development project.
- Net decrease of cash and short term deposits of \$54 million for the current financial period was mainly due to loan to joint venture company, payment of dividend of \$9.2 million and other advance payment of material on behalf of subcontractors.

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 period ended 30 June 2018.

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 2018, the Group's order book for on-going projects of civil engineering segment was approximately \$675 million (based on new revenue, SFRS(I)15, recognition standard) for the Maxwell station, the two Changi Airport projects and Stabling at Gali Batu Depot.

The Group's industrial development project, Shine@TuasSouth, has obtained TOP on 1 August 2018. With the Tuas Mega port slated to open progressively from 2021, the management will continue to monitor the market conditions, increase the marketing effort to sell or lease the unsold units. The Mattar Road residential joint venture project is in the phase of design finalization. The sale launch is expected in 3Q 2019.

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



11. Dividend

- (a) **Current Financial Period Reported On**
Any dividend declared for the current financial period reported on ?
Nil.
- (b) **Corresponding Period of the immediately Preceding Financial year**
Any dividend declared for the corresponding period of the immediately preceding financial year ?
Nil.
- (c) **Date payable**
Not applicable.
- (d) **Books closure date**
Not applicable

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

No interim dividend for the financial period ended 30 September 2018 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 IPT to be report for the current financial period. There is no general mandate from shareholders for IPTs.

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 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 30 September 2018 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

CHUA LEONG HAI

Executive Director and CEO
1 November 2018