

**Hock Lian Seng Holdings Limited**

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Company Registration Number 200908903E

FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 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		Change
	First quarter ended		
	31.03.2018	31.03.2017	
	Restated		
	\$'000	\$'000	%
Revenue	40,869	20,698	97.5%
Cost of sales	(38,318)	(18,581)	106.2%
Gross profit	2,551	2,117	20.5%
Other income	547	1,129	-51.6%
Distribution and selling costs	(8)	-	n.m.
Administrative costs	(1,168)	(1,207)	n.m.
Changes in fair value of investment securities	21	50	n.m.
Other operating costs	(342)	(64)	n.m.
Share of results of joint venture, net of tax	(25)	(5)	n.m.
Profit before taxation	1,576	2,020	-22.0%
Tax expenses	18	(175)	n.m.
Profit after taxation	1,594	1,845	-13.6%
Attributable to:			
Equity holders of the Company	1,594	1,845	-13.6%

n.m.: - not meaningful



Consolidated statement of comprehensive income

	Group	
	First quarter ended	
	31.03.2018	31.03.2017
		Restated
	<u>\$'000</u>	<u>\$'000</u>
Profit after taxation	1,594	1,845
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
- net change in fair value	(34)	151
Other comprehensive income	<u>(34)</u>	<u>151</u>
Total comprehensive income	<u>1,560</u>	<u>1,996</u>
Attributable to:		
Equity holders of the Company	<u>1,560</u>	<u>1,996</u>

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

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

	Group	
	First Quarter ended	
	31.03.2018	31.03.2017
	<u>\$'000</u>	<u>\$'000</u>
Depreciation of property, plant and equipment	1,321	741
Loss on foreign exchange	287	-
Loss/(gain) on disposal of property, plant and equipment	(6)	(210)
Interest income	(456)	(730)
Dividend income from investment securities	(3)	-
Fair value changes on investment securities	(21)	(50)



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

	Group			Company	
	31.03.2018	31.12.2017	1.1.2017	31.03.2018	31.12.2017
	\$'000	Restated \$'000	Restated \$'000	\$'000	\$'000
Non-current assets					
Property, plant and equipment	35,903	35,049	15,629	-	-
Subsidiary companies	-	-	-	37,814	37,814
Investment in joint venture	1,278	1,303	15,313	-	-
Investment properties	2,900	2,900	3,100	-	-
Investment securities (non-current)	22,472	23,013	26,765	-	-
Deferred tax assets	1,348	1,597	3,802	-	-
	63,901	63,862	64,609	37,814	37,814
Current assets					
Development properties	102,892	99,725	71,904	-	-
Contract assets	14,711	9,821	7,694	-	-
Trade receivables	5,654	19,457	13,661	-	-
Other receivables	4,056	1,432	429	51,992	49,258
Amounts due from a joint venture	74	72	157	-	-
Prepayments and deposits	2,429	2,718	1,427	-	-
Investment securities (current)	7,107	9,330	4,460	-	-
Cash and short term deposits	137,490	132,081	205,984	2,706	5,245
	274,413	274,636	305,716	54,698	54,503
Current liabilities					
Trade and other payables	60,760	62,860	50,322	434	474
Loans and borrowings	15,090	-	13	-	-
Amounts due to joint venture partners	122	71	9	-	-
Advance payment received for construction project	5,277	5,277	-	-	-
Contract liabilities	40,728	40,422	32,203	-	-
Progress billings to customers	1,957	1,566	455	-	-
Provisions	12,761	13,058	26,797	-	-
Provision for taxation	1,922	2,190	1,562	153	138
	138,617	125,444	111,361	587	612
Net current assets	135,796	149,192	194,355	54,111	53,891
Non-current liabilities					
Loans and borrowings	-	15,090	15,490	-	-
Deferred income	173	-	-	-	-
	173	15,090	15,490	-	-
Net assets	199,524	197,964	243,474	91,925	91,705
Equity					
Share capital	58,956	58,956	58,956	58,956	58,956
Capital reserve	1,000	1,000	1,000	-	-
Fair value reserve	506	540	177	-	-
Hedging reserve	-	-	-	-	-
Accumulated profits	155,301	153,707	199,580	32,969	32,749
Merger deficit	(16,239)	(16,239)	(16,239)	-	-
Total equity	199,524	197,964	243,474	91,925	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 31 March 2018		As at 31 December 2017	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
15,090	-	-	-

Amount repayable after one year

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

Details of collateral:

As at 31 March 2018, the Group's secured borrowings of \$15,090 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----- >	
	First quarter ended	
	31.03.2018	31.03.2017
	Restated	
	\$'000	\$'000
Cash flows from operating activities		
Profit before taxation	1,576	2,020
Adjustments :		
Depreciation of property, plant and equipment	1,321	741
Loss/(gain) on disposal of property, plant and equipment	(6)	(210)
Fair value changes on investment securities	(21)	(50)
Share of results of joint venture	25	5
Interest income	(456)	(730)
Unrealised exchange loss	287	-
Dividend income from investment securities	(3)	-
Operating cash flows before working capital changes	2,723	1,776
(Increase)/decrease in:		
Contract work-in-progress	(4,890)	1,318
Development properties	(3,167)	(11,115)
Trade receivables	13,803	3,616
Other receivables	(2,924)	(23)
Prepayments and deposits	289	(1,089)
Increase/(decrease) in:		
Trade and other payables and provisions	(2,397)	(3,251)
Progress billings to customers	391	-
Progress billings in excess of work-in-progress	306	9,149
Deferred income	173	-
Cash flows (used in) / generated from operations	4,307	381
Interest received	336	610
Income tax paid	-	1
Net cash flows (used in) / generated from operating activities	4,643	992
Cash flows from investing activities		
Purchases of property, plant and equipment	(2,176)	(8,887)
Dividend income received from joint venture	-	2,500
Decrease/(increase) in amount due from a joint venture partner (net)	53	2,391
Decrease/(increase) in amounts due from joint ventures	(4)	(2,499)
Purchases of investment securities (Held-to-maturity)	(1,257)	(1,360)
Proceeds from disposal of property, plant and equipment	7	210
Proceeds from maturity/redemption of investment securities	4,000	1,000
Interest received from investment securities	427	479
Dividend income received from investment securities	3	-
Net cash flows (used in) / generated from investing activities	1,053	(6,166)
Cash flows from financing activities		
Repayment of obligations under finance lease	-	(13)
Net cash flows used in financing activities	-	(13)
Net increase/(decrease) in cash and cash equivalents	5,696	(5,187)
Effect of exchange differences on cash and cash equivalents	(287)	-
Cash and cash equivalents, Beginning balance	132,081	205,984
Cash and cash equivalents, Ending balance	137,490	200,797



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	153,707	540	(16,239)	197,964
Total comprehensive income	-	-	1,594	(34)	-	1,559
Dividend on ordinary shares	-	-	-	-	-	-
At 31 March 2018	<u>58,956</u>	<u>1,000</u>	<u>155,301</u>	<u>506</u>	<u>(16,239)</u>	<u>199,524</u>
At 1 January 2017 Restated	58,956	1,000	199,580	177	(16,239)	243,474
Total comprehensive income	-	-	1,845	151	-	1,996
Dividend on ordinary shares	-	-	-	-	-	-
At 31 March 2017	<u>58,956</u>	<u>1,000</u>	<u>201,425</u>	<u>328</u>	<u>(16,239)</u>	<u>245,470</u>

Company

	Share capital	Accumulated profits	Total Equity
	\$'000	\$'000	\$'000
At 1 January 2018	58,956	32,749	91,705
Total comprehensive income	-	220	220
Dividend on ordinary shares	-	-	-
At 31 March 2018	<u>58,956</u>	<u>32,969</u>	<u>91,925</u>
At 1 January 2017	58,956	76,974	135,930
Total comprehensive income	-	6,687	6,687
Dividend on ordinary shares	-	-	-
At 31 March 2017	<u>58,956</u>	<u>83,661</u>	<u>142,617</u>



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

	Number of shares	Issued and paid-up capital (\$)
Issued and fully paid shares as at 31 December 2017 and at 31 March 2018	<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 2018.

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

	31 March 2018	As at 31 December 2017
Total number of issued shares (excluding treasury shares)	<u>509,978,991</u>	<u>509,978,991</u>

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

Not applicable.

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

Not applicable.

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

The figures have not been audited or reviewed.

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

Not applicable.



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

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 quarter ended 31 March 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 on 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	31.03.2017	Adjustment	31.03.2017
	FRS		Restated SFRS(I)
Income statement			
	\$'000	\$'000	\$'000
Sales	28,001	(7,303)	20,698
Cost of sales	(25,592)	7,011	(18,581)
Gross profit	2,409	(292)	2,117
Profit before taxation	2,312	(292)	2,020
Tax expenses	(223)	48	(175)
Profit after taxation	2,089	(244)	1,845
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.

Earning per share ("EPS")

	< ----- Group ----- >	
	3 months ended	ended
	31.3.2018	31.3.2017
		Restated
Earnings attributable to equity holders of the Company (\$'000)	1,594	1,845
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)	0.31	0.36
Fully diluted EPS attributable to equity holders of the Company (cents)	0.31	0.36

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

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

Net asset value ("NAV")

	Group		Company	
	As at	As at	As at	As at
	31.3.2018	31.12.2017	31.3.2018	31.12.2017
		Restated		
NAV per ordinary share (cents)	39.1	38.8	0.18	0.18
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 2018 compared with 3 months 2017 Performance and segmental review

Revenue

In \$' million	3M 2018	%	3M 2017 Restated	%
Civil Engineering	40.8	99.8	20.6	99.5
Property Development	-	-	-	-
Investment Properties	0.1	0.2	0.1	0.5
	40.9	100.0	20.7	100.0

Revenue increased by 98% to \$40.9 million, contributed mainly from the much higher construction activities for the Joint Venture Changi Airport project. No contribution from the Property Development and the revenue from Investment property segment remained insignificant.

Gross Profit

In \$' million	3M 2018	3M 2017 Restated
Civil Engineering	2.5	2.1
Property Development	-	-
Investment Properties	-	-
	2.5	2.1

Gross profit increased by \$0.4 million (21%) to \$2.5 million despite of much higher revenue in view of the lower gross margin for the on hand projects.

Administrative expenses was \$1.2 million, similar to the same period last year.

Other income reduced by \$582,000 (-52%), as the interest income was \$300,000 lower and gain on disposal of plant and equipment was \$200,000 lesser for the current financial period.

Other operating cost was \$300,000 higher, mainly due to the additional foreign exchange loss recognized for the USD holdings for committed material purchase.

The share of expenses was relate to the administrative cost incurred for the Joint venture.

Income tax was negative for the current financial period due to the finalization of the tax assessed for previous years and the excess tax provision was reversed.

Profit before taxation decreased by \$0.2 million to \$1.6 million, resulting mainly from the lower interest income, foreign currency loss, reversal of excess previous year tax provision offset by the higher gross profit.

Financial position and cash flow review

The main movements are:

- Decrease in investment securities (total of current and non-current) by \$2.8 million, was mainly due to the \$4 million redemption of the bonds upon maturity, offset by the \$1.2 million new bonds investment.
- Increase in development properties by \$3.2 million mainly due to the additional construction cost incurred for the Tuas development project (Shine@TuasSouth) in Q1 2018.



- Decrease in trade receivable as the progress billings certified in March 2018 was lower compare to December 2017.
- Bank's borrowing of \$15.1 million was reclassified as current liability as the loan is due for repayment by Feb 2019.
- Net increase of cash and short term deposits of \$5.7 million for the current financial period was mainly due to the cash generated from operations of \$4.6 million and net inflow of \$2.8 million from the bond redemption/ investment.

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 2017.

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 2018, the Group's order book for on-going projects of civil engineering segment was approximately \$790 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 construction of the Group's new industrial development property at Tuas (Shine@Tuas South) has commenced and is expected by June 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 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 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 2018 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

CHUA LEONG HAI

Executive Director and CEO
9 May 2018