

**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

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**FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT FOR THE HALF YEAR  
 ENDED 30 June 2014**

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**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		
	Half year ended		Change
	30.06.2014	30.06.2013	
	<b>Restated*</b>		
	\$'000	\$'000	%
Revenue	28,542	50,275	-43.2%
Cost of sales	(20,529)	(36,752)	-44.1%
Gross profit	8,013	13,523	-40.7%
Other income	1,402	829	69.1%
Distribution and selling costs	(75)	(1,158)	-93.5%
Administrative costs	(2,123)	(1,801)	17.9%
Changes in fair value of investment properties	(1,800)	(1,722)	4.5%
Changes in fair value of investment securities	(268)	(204)	31.4%
Other operating costs	(64)	(64)	0.0%
Share of results of jointly controlled entities	(43)	(31)	38.7%
Profit before taxation	5,042	9,372	-46.2%
Tax expenses	(1,411)	(1,954)	-27.8%
Profit after taxation	3,631	7,418	-51.1%
Attributable to:			
Equity holders of the Company	3,631	7,418	-51.1%

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	
	Half Year ended	
	30.06.2014	30.06.2013
	<b>Restated</b>	
	\$'000	\$'000
Profit after taxation	3,631	7,418
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	26	(18)
Other comprehensive income	26	(18)
Total comprehensive income	3,657	7,400
Attributable to:		
Equity holders of the Company	3,657	7,400

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

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

	Group	
	Half year ended	
	30.06.2014	30.06.2013
	\$'000	\$'000
Depreciation of property, plant and equipment	664	647
Gain on disposal of property, plant and equipment	(15)	(51)
Interest income	(1,003)	(616)
Treasury notes early redemption fee	(180)	-
Dividend income from investment securities	(20)	(20)
Fair value changes on investment properties	1,800	1,722
Fair value changes on investment securities	268	204



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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	
	30.06.2014	31.12.2013	1.1.2013	30.06.2014	31.12.2013
	\$'000	Restated \$'000	Restated \$'000	\$'000	\$'000
<b>Non-current assets</b>					
Property, plant and equipment	6,900	7,253	7,388	-	-
Subsidiary companies	-	-	-	36,814	36,814
Investment in jointly controlled entities	107	107	509	-	-
Investment properties	6,850	8,650	11,430	-	-
Investment securities (non-current)	20,076	17,547	19,084	-	-
Deferred tax assets	173	279	273	-	-
	<b>34,106</b>	<b>33,836</b>	<b>38,684</b>	<b>36,814</b>	<b>36,814</b>
<b>Current assets</b>					
Development properties	193,446	157,874	115,144	-	-
Contract work-in-progress	845	4,297	5,241	-	-
Trade receivables	12,624	18,065	16,369	-	-
Other receivables	191	366	260	260	10,219
Amounts due from joint venture partner	156	764	294	-	-
Amounts due from jointly controlled entity	52,383	51,544	40,440	-	-
Prepayments and deposits	1,204	2,163	739	-	-
Investment securities (current)	3,221	6,497	3,856	-	-
Cash and short term deposits	126,602	102,778	111,561	25,297	24,824
	<b>390,672</b>	<b>344,348</b>	<b>293,904</b>	<b>25,557</b>	<b>35,043</b>
<b>Current liabilities</b>					
Trade and other payables	52,905	54,856	58,363	254	593
Amounts due to joint venture partner	195	680	152	-	-
Advance payment for construction project	11,090	-	-	-	-
Progress billings in excess of work-in-progress	56,007	58,270	63,241	-	-
Progress billings to customers	121,419	71,858	16,308	-	-
Provisions	6,484	6,968	8,603	-	-
Provision for taxation	4,643	6,023	5,099	14	19
	<b>252,743</b>	<b>198,655</b>	<b>151,766</b>	<b>268</b>	<b>612</b>
<b>Net current assets</b>	<b>137,929</b>	<b>145,693</b>	<b>142,138</b>	<b>25,289</b>	<b>34,431</b>
<b>Non-current liabilities</b>					
Long term bank loans	34,956	36,926	53,468	-	-
Deferred Income	688	688	131	-	-
Deferred tax liabilities	2	3	8	-	-
	<b>35,646</b>	<b>37,617</b>	<b>53,607</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>	<b>136,389</b>	<b>141,912</b>	<b>127,215</b>	<b>62,103</b>	<b>71,245</b>
<b>Equity</b>					
Share capital	58,956	58,956	58,956	58,956	58,956
Capital reserve	1,000	1,000	1,000	-	-
Fair value adjustment reserve	14	(12)	9	-	-
Accumulated profits	92,658	98,207	83,489	3,147	12,289
Merger deficit	(16,239)	(16,239)	(16,239)	-	-
<b>Total equity</b>	<b>136,389</b>	<b>141,912</b>	<b>127,215</b>	<b>62,103</b>	<b>71,245</b>

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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 June 2014		As at 31 December 2013( <b>Restated</b> )	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
-	-	-	-

Amount repayable after one year

As at 30 June 2014		As at 31 December 2013( <b>Restated</b> )	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
34,956	-	36,926	-

Details of collateral:

As at 30 June 2014, the Group's non-current secured borrowings of \$35.0 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----- >	
	Half year ended	
	30.06.2014	30.06.2013
	<b>Restated</b>	
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Profit before taxation	5,042	9,372
Adjustments :		
Depreciation of property, plant and equipment	664	647
Gain on disposal of property, plant and equipment	(15)	(51)
Fair value changes on investment properties	1,800	1,722
Fair value changes on investment securities	268	204
Share of results of jointly controlled entities	43	31
Interest income	(1,003)	(616)
Dividend income from investment securities	(20)	(20)
<b>Operating cash flows before working capital changes</b>	<b>6,779</b>	<b>11,289</b>
(Increase)/decrease in:		
Contract work-in-progress	3,452	(52)
Development properties	(35,542)	(12,493)
Trade receivables	5,441	347
Other receivables	174	(206)
Prepayments and deposits	959	(381)
Increase/(decrease) in:		
Trade and other payables and provisions	(2,455)	(9,337)
Progress billings to customers	49,561	27,825
Progress billings in excess of work-in-progress	(2,264)	8,341
Advance payments received for construction project	11,090	-
<b>Cash flows generated from/(used in) operations</b>	<b>37,195</b>	<b>25,333</b>
Interest received	856	427
Income tax paid	(2,686)	(2,226)
<b>Net cash flows generated from/(used in) operating activities</b>	<b>35,365</b>	<b>23,534</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(335)	(288)
Amount due from a joint venture partner (net)	124	79
Amount due from jointly controlled entities	(838)	(6,029)
Purchases of investment securities (Held-to-maturity)	(2,506)	(1,753)
Proceeds from disposal of property, plant and equipment	15	215
Proceeds from maturity of investment securities (Held-to-maturity)	3,000	791
Interest received from investment securities (Held-to-maturity)	159	197
Dividend income received from investment securities	20	20
<b>Net cash flows used in investing activities</b>	<b>(361)</b>	<b>(6,768)</b>
<b>Cash flows from financing activities</b>		
Dividend paid	(9,180)	(9,179)
Repayment of bank loans	(2,000)	(9,971)
<b>Net cash flows (used in)/generated from financing activities</b>	<b>(11,180)</b>	<b>(19,150)</b>
Net increase /(decrease) in cash and cash equivalents	23,824	(2,384)
Cash and cash equivalents, Beginning Balance	102,778	111,561
<b>Cash and cash equivalents, Ending Balance</b>	<b>126,602</b>	<b>109,177</b>



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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	\$'000
<b>At 1 January 2014</b>	58,956	1,000	98,207	(12)	(16,239)	141,912
Total comprehensive income	-	-	3,631	26	-	3,657
Dividend on ordinary shares	-	-	(9,180)	-	-	(9,180)
<b>At 30 Jun 2014</b>	<b>58,956</b>	<b>1,000</b>	<b>92,658</b>	<b>14</b>	<b>(16,239)</b>	<b>136,389</b>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 January 2013</b>	58,956	1,000	83,489	9	(16,239)	127,215
Total comprehensive income	-	-	7,418	(18)	-	7,400
Dividend on ordinary shares	-	-	(9,179)	-	-	(9,179)
<b>At 30 June 2013</b>	<b>58,956</b>	<b>1,000</b>	<b>81,728</b>	<b>(9)</b>	<b>(16,239)</b>	<b>125,436</b>

#### Company

	Share capital	Accumulated profits	Total equity
	\$'000	\$'000	\$'000
<b>At 1 January 2014</b>	58,956	12,289	71,245
Total comprehensive income	-	37	37
Dividend on ordinary shares	-	(9,179)	(9,179)
<b>At 30 June 2014</b>	<b>58,956</b>	<b>3,147</b>	<b>62,103</b>
	\$'000	\$'000	\$'000
<b>At 1 January 2013</b>	58,956	11,137	70,093
Total comprehensive income	-	210	210
Dividend on ordinary shares	-	(9,179)	(9,179)
<b>At 30 June 2013</b>	<b>58,956</b>	<b>2,168</b>	<b>61,124</b>

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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 Jun 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 June 2014.

There were no outstanding treasury shares as at 30 June 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 June 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:

	<b>Increase/ (Decrease)</b>	
	Half year ended 30.06.2013	
<b>Group</b>		
<b>Income statement</b>		
	\$'000	
Sales	(24)	
Administrative costs	(54)	
Share of results of joint ventures	(43)	
Profit before taxation	(1)	
<b>Group</b>	<b>Increase/ (Decrease)</b>	
<b>Balance Sheet</b>	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 ----- > Half year ended	
	30.6.2014	30.6.2013
Earnings attributable to equity holders of the Company (S\$'000)	3,631	7,418
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)	0.7	1.5
Fully diluted EPS attributable to equity holders of the Company (cents)	0.7	1.5

**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	
	30.6.2014	31.12.2013	30.6.2014	31.12.2013
NAV per ordinary share (cents)	26.7	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.**

**6 months 2014 compared with 6 months 2013 Performance and segmental review****Revenue**

In \$' million	6M 2014	%	6M 2013	%
Civil Engineering	23.2	81.4	45.3	90.1
Investment Properties	5.3	18.6	5.0	9.9
	28.5	100.0	50.3	100.0

Revenue decreased by \$21.8 million (43.2%) to \$28.5 million for the financial period ended 30 June 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 \$0.3 million to \$5.3 million.

**Gross Profit**

In \$' million	6M 2014	6M 2013
Civil Engineering	4.4	9.9
Investment Properties	3.6	3.6
	8.0	13.5

Gross profit reduced by \$5.5 million (40.7%) to \$8.0 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 \$0.6 million to \$1.4 million mainly due to a one time bond early redemption fee of \$0.2 million and higher interest income of \$0.4 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 \$1.8 million lower with the projection of cash inflow reduced over the lease period.

The fair value of the investment securities was adjusted downward by \$0.3 million in accordance with the market price of the quoted shares market value as at end of 30 Jun 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 loss for the current financial period was \$0.04 million. Previously this joint venture is accounted for using proportionate accounting.



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Profit before taxation decreased by \$3.8 million to \$5.0 million, resulting mainly from the lower revenue and gross profit .

### **Financial Position Review**

Non-current assets for the financial period ended 30 June 2014 was \$0.3 million higher mainly due to the increase in the held –to- maturities security of \$2.6 million, off set by the decrease in the fair value of the worker dormitory of \$1.8 million.

The Group's current assets increased by \$46.4 million to \$390.7 million. This was mainly due to the additional construction costs of \$35.6 million incurred for the developments projects and higher cash balance of \$23.8 million, offset by the lower contract work in progress of \$3.5 million with the release of retention money for completed project and lower trade receivable.

The Group's current liabilities increased by \$54.0 million to \$252.7 million. This was mainly due to the higher advance payment received for the development projects of \$49.5 million and the advance payment from customer for new construction project of \$11.0 million.

The Group's non-current bank borrowings was 35.0 million.

### **Cash Flow Review**

As at 30 Jun 2014, the Group had cash and cash equivalent of \$126.6 million, increased by \$23.8 million for the current financial period. The additional cash was mainly generated from the operating activities of \$35.4 million, offset by the dividend payment of \$9.2 million and bank loan repayment of \$2.0 million.

**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 first quarter ended 31 March 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 June 2014, the Group's order book for on-going projects of civil engineering segment was approximately \$360 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. The joint venture residential project at Dairy Farm Road was launched in September 2013.

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.

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**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 Jun 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)
Office lease expenses paid to Lian Seng Investment Pte Ltd	\$'000 129	\$'000 Nil

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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	4,025	3,975
Working capital	13,600	13,600	-
Total	25,600	17,625	7,975

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 June 2014 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

CHUA LEONG HAI  
Executive Director and CEO

7 Aug 2014