HOCK LIAN SENG
HOLDINGS LIMITED

HOCK LIAN SENG HOLDINGS LIMITED

EXCELLENCE RELIABILITY COMMITMENT

ANNUAL REPORT 2014

OUR BUSINESS IS BUILT AROUND
OUR CUSTOMERS, ENSURING
WE DELIVER ENGINEERING
EXCELLENCE
RELIABILITY &
COMMITMENT
TO SUPPORT THEIR SUCCESS.

CONTENTS

ABOUT US

HOCK LIAN SENG HOLDINGS LIMITED ("HOCK LIAN SENG" OR "THE GROUP") IS ONE OF THE LEADING CIVIL ENGINEERING GROUP IN SINGAPORE, WITH AN ESTABLISHED TRACK RECORD OF MORE THAN 40 YEARS. THE GROUP WAS LISTED ON THE MAINBOARD OF SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST") IN DECEMBER 2009.

Established in 1969, Hock Lian Seng has undertaken and completed wide range of civil engineering projects for both the public and private sectors in Singapore. We carry out civil engineering works for bridges, expressways, tunnels, Mass Rapid Transit ("MRT"), port facilities, water and sewage facilities and other infrastructure works. The Group has successfully completed Kim Chuan Depot, one of the world's largest underground depots with housing capacity for up to 77 trains , for the Circle Line in 2007.

Our major customers include government and government-related bodies of Singapore, such as the Land Transport Authority, Housing Development Board, PSA Singapore Terminals, Public Utility Board and Civil Aviation Authority of Singapore.

The Group's other core business include property development activities and property investment.

PROJECT HIGHLIGHTS

Civil Engineering Jalan Gali Batu Depot Project

This design and build project involves the construction of a depot located along Woodlands Road stretching from the junction of Kranji Expressway to the opposite of Sungei Kadut Avenue. The depot will provide state of the art maintenance facilities to a fleet of 108 3-car trains or driverless train operation. This project involves extensive earth removal and the construction of an office building, operation control centres and electrical substations. The design also allows for future expansion for a stabling and reception track. This project is undertaken by GS HLS JV, our joint venture partnership with GS Engineering & Construction Corp. on a 50:50 basis.

Approximate Contract Value	Commencement Date / Expected Completion
$410 million	March 2009 / July 2015

Property Development Ark@KB

This is a B2 industrial development with 85 detached, terraced and ramp-up units located at Kaki Bukit Avenue 6/ Kaki Bukit Road 5. The land area is approximately 13,072.5m^2 and the TOP has been obtained in March 2015.

Commencement Date / Actual Completion
June 2012 / March 2015

LETTER TO SHAREHOLDERS

KIM CHUAN DEPORT COMPLETED IN 2007

TELOK BLANGAH EXPRESSWAY PROJECT COMPLETED IN 2001

Dear Shareholders,

In FY2014, the Group reached a significant milestone since our decision to diversify into the property development business back in 2011. In November, our first industrial development project, Ark@Gambas, had obtained the Temporary Occupation Permit ("TOP") from the Building & Construction Authority. This achievement proved that our strategic decision to move into this business segment was timely.

PERFORMANCE REVIEW

During the year ended 31 December 2014, the Group achieved a 202% jump in revenue to $261.6 million, mainly due to the $193.5 million sales recognized from the Ark@Gambas project. There were no sales recognized from the property development segment in the previous financial year.

Our net profit for FY2014 increased 204% to $72.6 million, resulting mainly from the profit recognition of the property development project and finalization of accounts from our completed construction projects.

We continue to enjoy a healthy financial position with our cash equivalents increasing 60.9% to $165.5 million and shareholders' equity rising 44.7% to $205.3 million.

DIVIDENDS

With our sterling performance achieved in FY2014, we would like to share the fruits of our labour with our shareholders. In appreciation of your unwavering support for the Group, the Directors have proposed a final cash dividend of 4.0 cents per ordinary share, which is 222% higher than the previous year. This proposed dividend distribution, when approved by shareholders at the forthcoming Annual General Meeting on 28th April 2015, represents about 28% of FY2014's profit.

BUSINESS UPDATE

During the year in review, the Civil Engineering construction segment was successful in securing new contracts in 2014 and early 2015, thus rebuilding our order book to $450 million as at end January 2015. The new projects, which were awarded and commenced work in 2014, were for the construction of taxiways and aircraft parking stands at the former south end reservoir site for Changi Airport Group and the construction of Maxwell station on the new Thomson East Coast Line for the Land Transport Authority. The contract value for the two projects amounted to $327.3 million.

In January 2015, the Group was awarded the Design and Construction of Rail Stabling Yard at Gali Batu Depot by the Land Transport Authority for $137.4 million. The average construction period for the above projects is about 4 to 5 years.

ARK@GAMBAS COMPLETED IN 2014

According to the Building and Construction Authority's report on 8 January 2015, the overall construction demand in Singapore for 2015 is projected to be between $29.0 billion to $36.0 billion. Although this forecast for 2015 was lower than the historical high of $37.7 billion achieved in 2014, a steady pipeline of public sector projects of industrial, institutional and civil engineering works are expected to account for an estimated 60.0% of the projected total construction activity in 2015. With this forecast of sustained demand on civil engineering works, the company's Civil Engineering Construction segment will potentially stand to benefit and to continue to grow its order book.

On the cost front, we expect the overall construction industry to be affected by rising business costs in the year ahead and also continues to be challenged by a shortage of experienced and skilled manpower due to the prevailing government policies and legislation involving foreign hires.

Our Property Development division was successful in tendering for a B2 industrial land parcel in Tuas South from JTC in November 2014. We are planning to develop a 5.5 storey multi-user ramp-up industrial building on the site (subject to approval of the relevant authorities).

Meanwhile, our completed Ark@Gambas project is about 91% sold to-date. Our second industrial building project Ark@KB received its TOP on 3 March 2015 - all the units at Ark@KB have been sold except for a unit that we are keeping for our own use.

The sale of condominium apartments at our 50% joint venture development, The Skywoods, is on-going with about 50% of units sold, but with the current cooling measures introduced by the Government, we envisage that sales is expected to be slow.

Moving ahead, in view of the challenging property development market, we will be prudent in seeking out land parcels for future property development projects. The Group remains in a strong financial position to take advantage of investment and development opportunities that may arise both locally and overseas.

ACKNOWLEDGMENT

On behalf of the Board of Directors, we would like to express our appreciation to our directors, management and staff for their contribution and commitment to the Group. Together, we worked hard to elevate Hock Lian Seng to higher levels of growth and achievement. We would also like to thank our customers, business partners and shareholders for the continued support and friendship all these years.

ONG SEH HONG
Independent Non-Executive Chairman

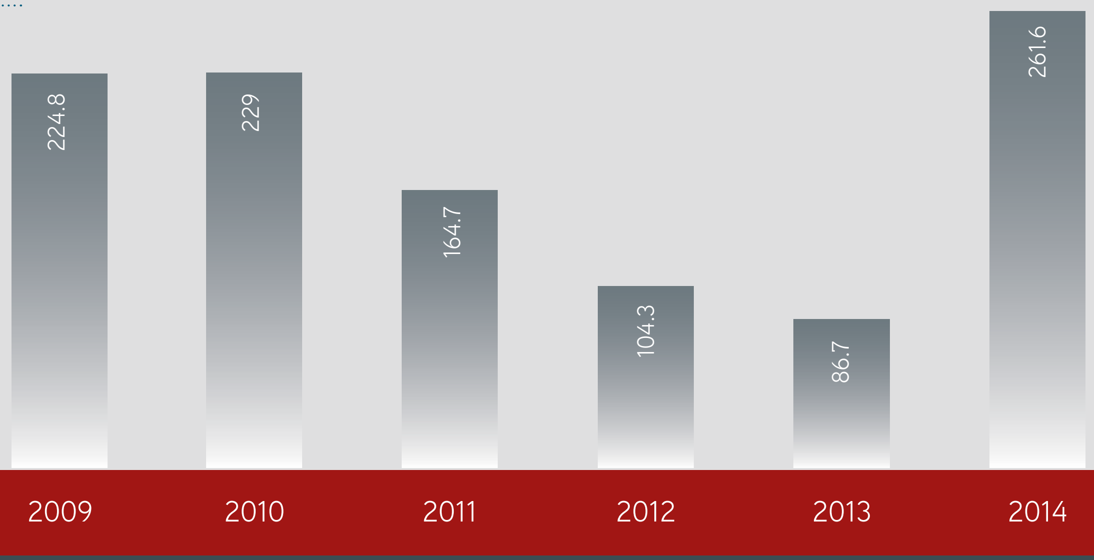
CHUA LEONG HAI
Executive Director and CEO

FINANCIAL HIGHLIGHTS

REVENUE & NET PROFIT

Revenue

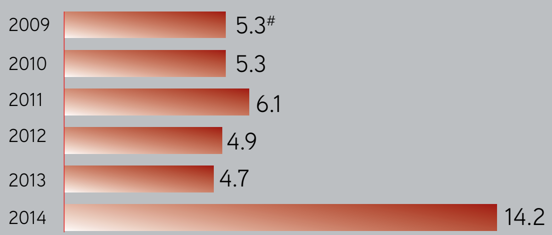
S$ Million



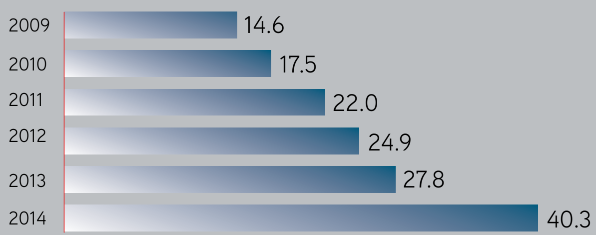
PER SHARE DATA

Cents

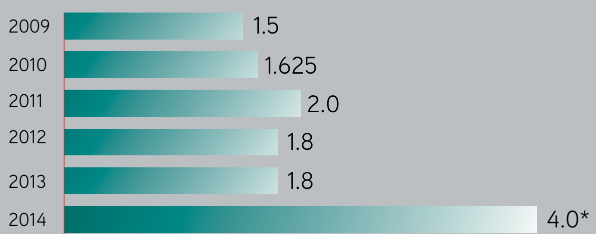
Basic earnings per share



Net Tangible assets per share



Dividend per share

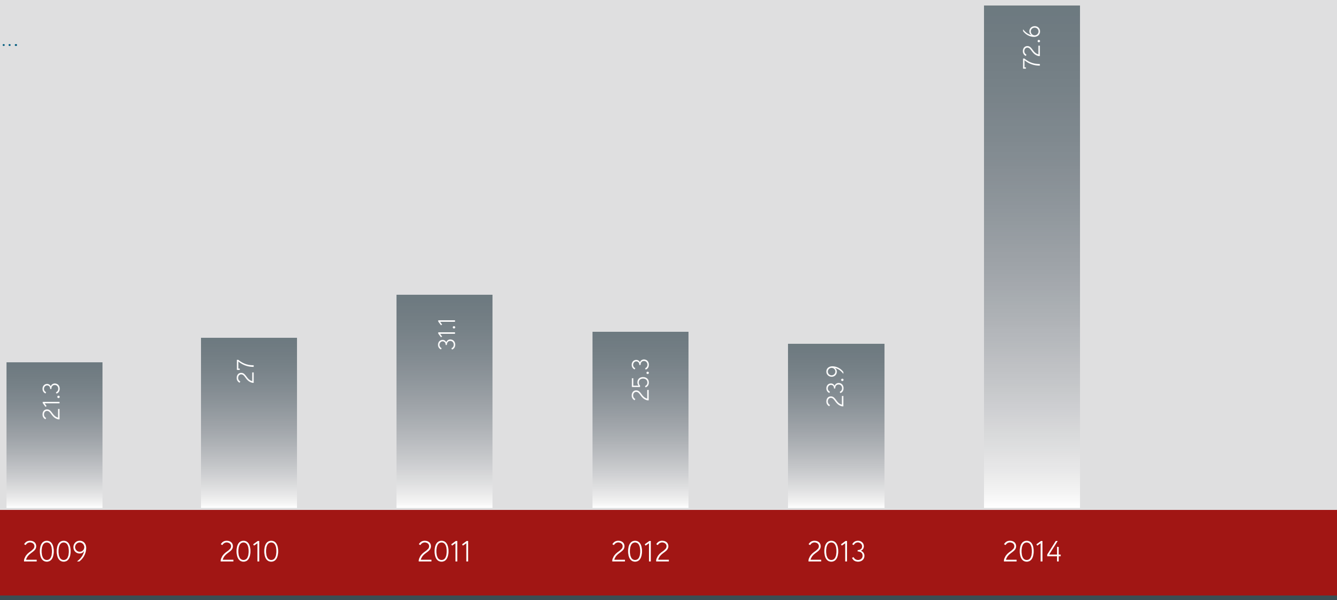


 # The Group was listed in December 2009, the weighted average number of ordinary shares for year 2009 was 404,294,000 shares

** Proposed dividend for FY2014*

Net Profit

S$ Million



FINANCIAL POSITIONS

$ in million

	FY2009	FY2010	FY2011	FY2012	FY2013*	FY2014
Current Assets	186.7	195.1	243.2	399.9	344.3	355.2
Non-current Assets	12.0	21.8	32.0	38.2	33.8	44.3
Current Liabilities	124.5	126.8	163.0	172.2	198.6	192.9
Non-current Liabilities	–	0.7	–	138.7	37.6	1.2
Equity Attributable to Shareholders	74.2	89.4	112.2	127.2	141.9	205.4

CASH FLOW STATEMENT

$ in million

	FY2009	FY2010	FY2011	FY2012	FY2013*	FY2014
Net cash generated from / (used in) operating activities	76.8	34.6	31.8	(186.9)	29.0	110.7
Net cash used in investing activities	(9.1)	(5.0)	(10.7)	(8.9)	(12.1)	(6.9)
Net cash used in / generated from financing activities	24.7	(7.6)	(8.4)	128.6	(25.7)	(41.1)
Net increase/(decrease) in cash and cash equivalent	92.4	22	12.7	(67.2)	(8.8)	62.7
Cash and cash equivalent at beginning of year	51.1	143.5	165.5	178.2	111.6	102.8
Cash and cash equivalent at end of year	143.5	165.5	178.2	111.8	102.8	165.5

* FY2013 figures have been restated (refer to note 2.2 of the financial statement)

OPERATIONS AND FINANCIAL REVIEW

REVENUE AND EARNINGS

Revenue (external sales)

In $' million	FY 2014	%	FY 2013 restated	%
Civil Engineering	57.4	21.9	76.5	88.2
Properties Development	193.5	74.0	-	-
Properties Investment	10.7	4.1	10.2	11.8
	261.6	**100.0**	**86.7**	**100.0**

Revenue increased by $174.9 million (201.8%) to $261.6 million for the financial year ended 31 December 2014, mainly due to the recognition of revenue from the industrial development property project, Ark@Gambas, which obtained TOP in November 2014. In line with the adoption of INT FRS 115, revenue and related costs for industrial development project is recognized on completion of project. As at 31 December 2014, about 87% of Net saleable area was sold for Ark@Gambas. The civil engineering segment revenue was $19.1 million lower due to the substantial completion of the Marina Coastal Expressway project and the two new projects that was awarded in 2014 and just commenced construction activities.

The revenue from Properties investment segment were mainly rental income from workers dormitory, which was marginally higher by $0.5 million to $10.7 million.

Gross Profit

In $' million	FY 2014	FY 2013 restated
Civil Engineering	37.5	29.7
Properties Development	52.6	-
Properties Investment	7.4	7.1
	97.5	**36.8**

Gross profit increased by $60.9 million (164.9%) to $97.5 million for the current financial year mainly due to the recognition of the Ark@Gambas project of $52.6 million and the increase of $9.8 million of civil engineering segment due to the finalization of account for the completed projects and the construction profit for Ark@Gambas recognized in tantum with tthe inter company construction project. The gross profit for workers dormitory remained stable.

Other income increased by $0.4 million to $2.6 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 $0.2 million higher as the agent commission cost for Ark@Gambas was recognized in line with the sales recognition.

Administrative expenses was $2.8 million (66.3%) higher than previous year mainly due to the higher performance bonus accrued and higher staff cost and bonus for 2014.

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 provided by an independent valuer and the fair value is expected to be $4.3 million lower with the projection of cash inflow reduced over the lease period. The lease is expiring at end of 2015.

The fair value of the investment securities was adjusted downward by $0.2 million in accordance with the market price of the quoted shares market value as at end of 31 December 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 year was $0.04 million compared to share of loss of $1.8 million in FY2013. Previously this joint venture is accounted for using proportionate consolidation.

Profit before taxation increased by $58.1 million to $87.4 million, resulting mainly from the higher revenue and gross profit.

FINANCIAL POSITION

The Group's non-current assets was $10.5 million higher as at 31 December 2014 was mainly due to the acquisition of the held –to-maturities security of $7.6 million and higher deferred tax assets of $6.7 million offset by decrease in investment property by $4.3 million due to the fair value adjustment of the worker dormitory.

The Group's current assets increased by $10.9 million to $355.2 million. This was mainly due to the higher cash and short term deposit of $62.7 million and higher trade receivable of $27.0 million, also higher prepayment of $7.5 million for the advance payment for the Tuas site, offset by the lower development properties of $84.4 million due to the cost recognition of Ark@Gambas.

The Group's current liabilities decreased by $5.7 million to $193.0 million. This was mainly due to the lower progress billings to customers and progress billings in excess of work-in-progress with the recognition for completed projects, offset by the higher provision for tax and project defect and warranty cost for completed projects. The remaining bank loan of $5.0 million was reclassified as current.

CASH FLOW

Net increase of cash and short term deposits of $62.7 million for FY2014 was mainly due to cash generated from operating activities arising from TOP of Ark@Gambas project, advance from Maxwell station project, which was partially offset by the dividend payment, acquisition of held-to-maturities security and repayment of bank loans.

BOARD OF DIRECTORS

ONG SEH HONG

Ong Seh Hong is our Independent Non-Executive Chairman.Dr Ong was appointed as Director on 23 September 2011 and as Non-executive Chairman on 1 June 2013. Dr Ong is currently a senior consultant psychiatrist at Alexandra Healthgroup. Prior to this, Dr Ong was the clinical director and chief operating officer of the Ren Ci Hospital & Medicare Centre, and Ren Ci Community Hospital, where he oversaw the set-up and operations (clinical and non-clinical) of its hospital services. He held the position of vice president (corporate services) of GIC Special Investments Private Limited, a unit of the Government of Singapore Investment Corporation, where he was responsible for the human resources, administrative and finance (noninvestment) functions of the unit. He was also a Member of Parliament from 2001 to 2011.

Dr Ong holds a Bachelor of Medicine and Bachelor of Surgery (MBBS) and a Master of Science in Applied Finance from the National University of Singapore. He is a member of the Royal College of Psychiatrists in the United Kingdom and a fellow of The Academy of Medicine, Singapore.

Dr Ong is currently serving as an Independent Director of Dyna-Mac Holdings Ltd, Zhongmin Baihui Retail Group Holdings Ltd and MoneyMax Financial Services Ltd , which are listed on the Singapore Exchange.

CHUA LEONG HAI

Chua Leong Hai is our Executive Director and CEO. He is the founder of our Group. He has more than 40 years of experience in civil engineering works in Singapore and had lead the Group to undertake infrastructure projects in Taipei and Shanghai in the 90's. He has involved in real estate investment and development in Malaysia and Indonesia. He is responsible for the overall management, formulation of business plans, strategic positioning and business expansion of our Group. Mr Chua was conferred Singapore's National Day Awards' PBM in 2010.

CHUA HUA HONG

Chua Hua Hong is our Executive Director and the Deputy General Manager (Logistics) of HLS Infrastructure. Mr Chua was appointed to the Board on 15 September 2009. He is primarily responsible for the management of our workers as well as the purchasing, deployment and maintenance of our plant and equipment. He has extensive experience in the field of civil engineering, especially in procurement of machinery, building materials and labour for construction works. He was with our Group from 1975 to 1980, and from 1985 to the present.

KEE GUAN CHUA

Kee Guan Chua was appointed on the board on 26 March 2012 as Executive Director. Mr Kee heads our Contracts and Tenders Department. He has been with our Group since 1983 and his current responsibilities include estimating project cost, project tenders, sourcing for building materials, evaluation and procurement of contracts for supply and sub-contracting works and variations. Prior to joining our Group, Mr Kee had worked as a technician with the Ministry of the Environment, Singapore (now known as Ministry of the Environment and Water Resources) and PSA and as an assistant quantity surveyor with QS Partnership for approximately 10 years. He has vast experience in site investigations and surveys, preparation of drawings and tender documents. He obtained a Technician Diploma in Building from the Singapore Polytechnic in 1978.

CHEW TUAN DONG

Chew Tuan Dong is our Deputy Chief Executive Officer and was appointed on the Board on 8 August 2014. He joined the Group in December 2013. He is responsible to identify and develop new opportunities for the Group and for the overall management of the development and construction projects. Mr Chew has more than 30 years of experience in the civil engineering and building industry, having worked in Singapore, Malaysia, Taiwan and India. He graduated with a Bachelor of Science in Civil Engineering degree (first class honour) from University of Strathclyde, Master of Science in Civil Engineering from the National University of Singapore, and Graduate Diploma in Financial Management from the Singapore Institute of Management. He is also a registered Professional Engineer in Singapore, a registered Founding Member of Certified Project Manager (CPM), and a Senior Member of the Institution of Engineers Singapore.

CHUA SEY KOK

Chua Sey Kok joined the Group as Technical Director in July 2014 and was appointed on the Board on 8 August 2014. Mr Chua plays a strategic role in planning/development of the infrastructure business and provide guidance and leadership to the construction and tendering team.

He has more than 33 years of experience in the civil engineering and building industry, of which, he has over 17 years of experience in managing engineering teams in large scale infrastructure projects. He had worked in Singapore, China, Indonesia and Vietnam.

He holds a bachelor degree in Civil Engineering (Honours) and Master Degree in Science (Civil Engineering from the National University of Singapore. He is also a registered professional engineer in civil engineering of the Singapore Professional Engineers Board.

KOH LIAN HUAT

Koh Lian Huat is our Independent Director and was appointed to the Board on 30 November 2009. He was a partner in charge of statutory audit in Huat Associates from 2007 to 2010. From June 2004 to November 2007, he was a sole proprietor in Huat Associates. From January 2004 to December 2004, Mr Koh was a consultant in Ng, Lee & Associates-DFK, a leading accounting firm which was established in 1948 and a partner in charge of statutory audit in the same firm from January 2000 to December 2003. From September 1982 to December 1999, Mr Koh was a sole proprietor in Koh Lian Huat & Co.

He has extensive experience in the building industry and the real-estate development industry. From 1976 to 1998, Mr Koh was a director of Lian Seng Construction Pte. Ltd., a civil engineering company. From 1969 to 1984, he was a director of Lee Realty (Pte) Limited, a real-estate developer. From 1983 to 1984, Mr Koh was also a secretary in Lee Kim Tah Holdings Ltd., a company which was admitted to the Official List of the SGX-ST in 1984 and which is involved in property businesses, including property development and investments, construction and project management, as well as retail management. In addition, from 1972 to 1984, Mr Koh was a director and secretary of Lee Development (Private) Limited, a company which was engaged in property development and investment, construction and project management.

Mr Koh is a Justice of the Peace appointed by the President of Singapore. He was also conferred Singapore's National Day Awards: PBM, BBM and BBM (L) in 1985, 1993 and 2007 respectively. He is an appointed mediator assisting the Subordinate and Family Courts in dealing with cases of Magistrate's complaints and maintenance disputes. Mr Koh graduated with a Bachelor of Commerce (Accountancy) from the then Nanyang University, Singapore in 1965. He is also a fellow member of the Association of Chartered Certified Accountants since 2006, a fellow member of CPA Australia since 2004, a fellow member of the Institute of Singapore Chartered Accountants since 2004, an honorary auditor of the Chartered Management Institute, UK (Singapore Branch) and an assistant honorary treasurer of the Nanyang Technological University Alumni Club Management Committee.

Mr Koh is currently also an independent director of Zhongmin Baihui Retail Group Holdings Ltd, a listed company on the Singapore Exchange.

KHOR POH HWA

Khor Poh Hwa is our Independent Director and was appointed to the Board on 30 November 2009. Mr Khor has extensive experience in infrastructure development projects in transportation, civil engineering and buildings. Mr Khor joined the former Singapore Public Works Department (now CPG Corporation Pte. Ltd.) in 1975 after graduating from the National University of Singapore.

Mr Khor led the corporatisation of Singapore Public Works Department in 1999 and became the Chief Executive Officer of the new entity, CPG Corporation Pte. Ltd. He retired from CPG Corporation Pte Ltd in 2005 and served as its senior adviser until 2008. From 1995 to 1997, he was seconded to the China-Singapore Suzhou Industrial Park Development Co. Ltd. as the Deputy Chief Executive Officer to take charge of the physical development of 70 square kilometres of the park, a flagship project between the governments of Singapore and China.

Mr Khor was previously a member of the Asia Pacific Economic Co-operation (APEC) Business Advisory Council, the Singapore-British Business Council, the Singapore-Shandong Business Council and the Network China Steering Committee. He was also the past President of the Society of Project Managers, Singapore and the Singapore-China Suzhou Club. Mr Khor graduated in 1975 from the then Singapore University with a Bachelor of Engineering (Civil) and subsequently obtained a Master of Science (Civil Engineering) and Professional Engineering (Civil) from the National University of Singapore in 1980.

Mr Khor is currently the Non-Executive Chairman of the Board of Keppel Infrastructure Fund Management Pte Ltd, the trustee-manager of K-Green Trust which is listed on the Singapore Exchange. He is also a Non-Executive Director of Keppel Telecommunications & Transportation Ltd.

EXECUTIVE OFFICERS

DANIEL TAY CHIN KWANG

Daniel Tay Chin Kwang is one of the Heads of our Construction and Engineering Department. He joined our Group in April 2003 and was appointed as a Director for Hock Lian Seng Infrastructure Pte Ltd on 1 November 2012. He is responsible for the tender, coordination, project and technical management of the infrastructure works undertaken by our Group. Since joining our Group, he has successfully completed the Kim Chuan Depot, which is one of the largest underground depots in the world and the Marina Bay Station. He has kick-started the CED Programme co-funded by BCA and has collaborated with NUS to develope the Company Project Management Handbook that was completed and officially launched in January 2012. He is currently overseeing some private developments embarked by our Group. He is also the Project Director for the Jalan Gali Batu Depot project, one of the mega LTA projects for Downtown Line 2. He garnered extensive experience in buildings works prior to his venture in infrastructure works and has 20 over years of experience in the construction industry. Mr Tay graduated from the National University of Singapore with a Bachelor of Engineering (Civil) and he was awarded a Master of Science (International Construction Management) from Nanyang Technological University. He is a member of the Institution of Engineers Singapore, Geotechnical Society Of Singapore and the Tunnelling and Underground Construction Society (Singapore).

FONG KAM WAI

Fong Kam Wai is one of our Heads of our Construction and Engineering Department, and a Project Manager. He was appointed as a Director for Hock Lian Seng Infrastructure Pte Ltd on 1 November 2012. He joined our Group in October 1985. He is responsible for the overall planning and coordination of projects, ensuring the projects completion within allocated budget and is in charge of schedule and quality standards. Since joining our Group, he has been involved in the Changi Airport Terminal 3 Project and Sungei Serangoon Bridge Project. He is the project manager of the Marina Coastal Expressway Project. He has extensive experience in the field of engineering and construction works. Mr Fong holds a Bachelor of Engineering from the National University of Singapore in 1985.

THOMAS KHONG TIONG GHEE

Thomas Khong Tiong Ghee joined our Group in June 2009 as Senior Contracts Manager. He is responsible for Contract administration which involves reviewing of contract documents, preparing contract and joint venture agreements, drafting correspondences to Clients and contractual parties on contractual issues, contractual claims submission to Clients, management and resolution of disputes with Clients and contractual parties and providing general contractual advices to our project managers. In addition, he reviews documents for sale of property and land biddings. With more than 30 years' experience and equipped with legal training, he has been able to provide contractual frameworks and legal supports for our Contracts Department. He is a Fellow of Chartered Institute of Building (FCIOB) and holds a Diploma in Building from the Singapore Polytechnic and Bachelor of Law (Hons) from the University of Wolverhampton.

CHOO KET WENG

Choo Ket Weng joined our Group in March 2009 as Project Manager and works on our joint venture design-and-build project at LTA Contract 911 Design & Construction of Depot for Downtown Line. He is responsible for the planning and execution of the project. This project attained Temporary Occupation Permit (TOP) seven months ahead of schedule. Mr Choo will continue to lead another design-and-build project at LTA Contract C9061 Design and Construction of Stabling Yard at Gali Batu Depot. Mr Choo has varied experience in infrastructure and building works and has worked in Malaysia, Indonesia, Thailand and Singapore. Mr Choo graduated from Portsmouth University England in 1979 with a Bachelor of Science in Civil Engineering

CHUA SIOK PENG

Chua Siok Peng joined the group in November 2012 as the senior manager for Business Development and is also a project and design manager for the Group's property developments. Her responsibilities extend from reviewing opportunities and studying feasibilities in property development, to the day-to-day management and marketing of projects. Siok Peng is a UK registered architect with extensive work experience in both UK and Singapore. She holds a Bachelor of Arts (Architecture) from National University of Singapore and a Graduate Diploma in Architecture from The Bartlett School, University College London (2000).

ANG KWEE HONG

Ang Kwee Hong is our Contract Manager. She joined our Group as a quantity surveyor from 1991 to 2005 and was primarily responsible for tender works, negotiating pre-contracts and post-contracts and the administration of HLS Infrastructure. She was appointed as the Contract Manager of our Group in 2006. Ms Ang obtained a Technician Diploma in Building from the Singapore Polytechnic in 1982.

CHONG LEE YIN

Chong Lee Yin is our CFO. She joined our Group in March 2008. She is responsible for the accounting, financial and tax related matters of our Group. She has about 20 years of financial and accounting experience working for companies in the chemical and construction industries. She graduated from the National University of Singapore with a Bachelor of Accountancy and is a member of the Institute of Singapore Chartered Accountants.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ong Seh Hong (Chairman)
Chua Leong Hai
Chew Tuan Dong
Chua Hua Hong
Kee Guan Chua
Chua Sey Kok
Khor Poh Hwa
Koh Lian Huat

AUDIT AND RISK MANAGEMENT COMMITTEE

Koh Lian Huat (Chairman)
Khor Poh Hwa
Ong Seh Hong

NOMINATING COMMITTEE

Khor Poh Hwa (Chairman)
Koh Lian Huat
Ong Seh Hong
Chua Leong Hai

REMUNERATION COMMITTEE

Ong Seh Hong (Chairman)
Khor Poh Hwa
Koh Lian Huat

BOARD SAFETY COMMITTEE

Khor Poh Hwa (Chairman)
Koh Lian Huat
Ong Seh Hong

COMPANY SECRETARY

Chew Kok Liang

REGISTERED OFFICE

80 Marine Parade Road
#21-08 Parkway Parade
Singapore 449269
Website: www.hlsgroup.com.sg
Email: info@hlsgroup.com.sg

SHARE REGISTRAR

B.A.C.S. Private Limited
63 Cantonment Road
Singapore 089758

INDEPENDENT AUDITOR

Ernst & Young LLP
Public Accountants and Chartered Accountants
One Raffles Quay
North Tower, Level 18
Singapore 048583
(Partner-in-charge: Ang Chuen Beng,
appointed since financial year ended 2010)

PRINCIPAL BANKERS

United Overseas Bank Limited
Oversea-Chinese Banking Corporation Limited
Malayan Banking Berhad
Hong Kong Shanghai Banking Corporation Limited
Bank of Singapore Limited

COMPANY REGISTRATION NUMBER

200908903E

CORPORATE GOVERNANCE REPORT

The board of directors ("**Board**") and the management ("**Management**") of Hock Lian Seng Holdings Limited (the "**Company**") are committed to achieve good standard of corporate governance and business conduct in order to protect the interest of shareholders.

This report sets out the Company's corporate governance practices and activities in respect of the financial year ended 31 December 2014 ("**FY2014**") in relation to each of the principles of the Singapore Code of Corporate Governance 2012 (the "**Code**") , and where applicable, the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Company seeks to comply with the best practices as outlined in the Code where applicable, feasible and practical to the Group unless otherwise specified.

BOARD OF DIRECTORS

The Board's Conduct of its Affairs

Principle 1: *Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and the Management remains accountable to the Board.*

The Board comprises five Executive Directors, three Non-Executive Independent Directors. They are:

Name of Director	Appointment	Date of appointment / Date of last re-election	Current directorships in other listed companies and other principal commitments	Past directorships in other listed companies and principal commitments over the preceding 3 years
Ong Seh Hong	Independent Non-Executive Chairman (since 1 June 2013) Chairman-Remuneration Committee ("**RC**") Member-Audit and Risk Management Committee ("**ARMC**"), Nominating Committee ("**NC**") & Board Safety Committee ("**BSC**")	23 Sep 2011 / 24 Apr 2014	Director - (1) Dyna- Mac Holdings Ltd (2) MoneyMax Financial Services Ltd (3) Zhongming Baihui Retail Group Holdings Ltd Senior Consultant Psychiatrist - Alexandra Healthgroup	Member of Parliament (2001-2011)
Chua Leong Hai	Executive Director and Chief Executive Officer ("**CEO**")	20 May 2009 / 24 Apr 2014	Nil	Nil
Chew Tuan Dong	Executive Director and Deputy CEO	8 Aug 2014 / N.A.	Nil	Nil
Chua Hua Hong	Executive Director	15 Sep 2009 / 24 Apr 2014	Nil	Nil
Koh Lian Huat	Independent Director Chairman- ARMC Member- NC, RC and BSC	30 Nov 2009 / 24 Apr 2014	Director - Zhongming Baihui Retail Group Holdings Ltd	Partner - Huat Associates (ceased in 2011)

CORPORATE GOVERNANCE REPORT

Name of Director	Appointment	Date of appointment / Date of last re-election	Current directorships in other listed companies and other principal commitments	Past directorships in other listed companies and principal commitments over the preceding 3 years
Khor Poh Hwa	Independent Director Chairman- NC and BSC Member – ARMC and RC	30 Nov 2009 / 25 Apr 2013	Non-Executive Chairman and Director of Keppel Infrastrucre Fund Management Pte Ltd Non-Executive Director- Keppel Telecommunications & Transportation Ltd	Director-Keppel Land Limited (resigned in 2012)
Kee Guan Chua	Executive Director	26 Mar 2012 / 25 Apr 2012	Nil	Nil
Chua Sey Kok	Executive Director	8 Aug 2014 / N.A.	Nil	Nil

Role of the Board

The Board's primary role is to protect and enhance long-term shareholder value by establishing a framework of prudent and effective controls in managing risks. To fulfill this role, the Board is responsible for the overall corporate governance of the Group including setting its strategic direction, establishing goals for the Management and monitoring the achievement of these goals. As part of its responsibility in discharging its duty, the Board also performs the following roles:-

(a) reviewing the performance of management by establishing management's goals and monitoring the achievement of those goals;

(b) setting the Company's values and standards (including ethical standards) to uphold good corporate governance; and

(c) ensuring that obligations to shareholders and other stakeholders are understood and met in order to achieve sustainability.

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries in the interest of the Company.

Matters Requiring Board Approval

The Board's approval is required for decisions involving areas such as strategic plans, key operational initiatives, material acquisition and disposal of assets, capital-related matters including financial re-structure, market fund-raising, share issuances, interim dividends and any investment or expenditures exceeding set material limit.

While matters relating in particular to the Company's objectives, strategies and policies require Board's direction and approval, the Management is responsible for the day to day operation and administration of the Company in accordance with the objectives, strategies and policies set by the Board.

Director Orientation and Training

All directors have many years of corporate experience and are familiar with their duties and responsibilities as directors. Upon appointment, each director will receive a letter of appointment explaining his duties and obligations as a member of the Board. In addition, orientation briefings are arranged for newly appointed directors to familiarize them on the business activities of the Group and its strategic directions, as well as their duties and responsibilities as directors. The Board is also kept abreast regularly on new laws, regulations and commercial developments by the Management and its appointed professionals. The Chairman will make the necessary arrangements for the briefings, informal discussions or explanations required.

CORPORATE GOVERNANCE REPORT

In addition, the directors of the Company are encouraged to attend appropriate or relevant courses, conferences and seminars conducted by professional organisations. The Company may funds the appropriate training and development programmes for the directors. The Board has received updates on changes in listing rules, regulatory requirements, corporate governance guidelines and best practices on regular basis.

Board Processes

To assist the Board in the discharge of its responsibilities, the Board has established four Committees namely, the Audit and Risk Management Committee ("**ARMC**"), the Remuneration Committee ("**RC**"), the Nominating Committee ("**NC**") and the Board Safety Committee ("**BSC**"). These committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis.

The schedule of all Board and Board Committee meetings for a calendar year is usually given to all Directors well in advance. Besides the scheduled quarterly Board meetings, the Board meets on an ad-hoc basis as warranted by particular circumstances. Board meetings will be convened when they are deemed necessary, to review the Group's operations, conduct strategic review of the business affairs and address other specific significant matters that arise. The Company's Articles of Association (the "**Articles**") provide for meetings of the Directors to be held by means of telephone conference or other methods of simultaneous communication be electronic or telegraphic means. The Board also approves transactions through circular resolutions which are circulated to the Board together with all relevant information to the proposed transaction.

The agenda for meetings is prepared in consultation with the Non-Executive Chairman and the Chief Executive Officer ("**CEO**"). The agenda and submissions are circulated in advance of the scheduled meetings. The Board and Board Committee meetings held during the financial year and the attendance of Directors at the meetings are set out as follows:

	Board	Audit and Risk Management Committee	Nominating Committee	Remuneration Committee	Board Safety Committee
Number of Meetings Held	**4**	**4**	**1**	**1**	**1**
	Attendances				
Ong Seh Hong	4	4	1	1	1
Chua Leong Hai	4	-	1	-	-
Chew Tuan Dong*	2	-	-	-	-
Chua Sey Kok*	2	-	-	-	-
Chua Hua Hong	4	-	-	-	-
Kee Guan Chua	4	-	-	-	-
Koh Lian Huat	4	4	1	1	1
Khor Poh Hwa	4	4	1	1	1

*Chew Tuan Dong and Chua Sey Kok were appointed on the Board on 8 August 2014.

Board Composition and Guidance

Principle 2: There should be a strong independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board currently comprises 8 directors of whom 3 are independent directors. There is a fairly strong independent element on the Board, with independent directors constituting approximately one-third of the Board.

The Board has adopted the Code's criteria of an independent director in its review and therefore the NC is of the view that all independent directors have satisfied the criteria of independence. Matters requiring the Board's approval are discussed and deliberated with participation from each member of the Board. The decisions are based on collective decisions without an individual influencing or dominating the decision making process.

CORPORATE GOVERNANCE REPORT

The Board's composition, size and balance and independence of each non-executive director will be reviewed by the NC annually and periodically where the changes in the operations warrant.

The Board comprises of Directors who possess the core competencies, experience and knowledge in business, finance and management skills critical to the Group's business and that each Director brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

The directors, having reviewed the composition of the Board, are satisfied that the present size and composition of the Board is effective for decision making.

Non-Executive and Independent Directors of the Board exercise no management functions but have equal responsibility for the performance of the Group, the role of the non-executive and independent directors is particularly important in ensuring that the strategies proposed by the Management are constructively challenged, taking into account the long-term interests, not only of the shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business. The Independent Directors help to develop proposals on strategy and review the performance of Management in meeting agreed goals and objectives and monitor the reporting performance. When necessary, the Independent Non-Executive Directors will meet and discuss on the Group's affairs without the presence of the Management.

Chairman and CEO

Principle 3: *There should be a clear division of responsibilities between the leadership of the Board and the executive responsibility for managing the company's business. No one individual should represents a considerable concentration of power.*

There is a distinct separation of responsibilities between the Chairman and the CEO, which ensures that there is an appropriate balance of power and authority, increased accountability and greater capacity of the Board for independent decision making at the top of the Company. In line with Guideline 3.1 of the Code of Corporate Governance 2012, Dr Ong Seh Hong was appointed as Independent Non-Executive Chairman on 1 June 2013.

The Independent Non-Executive Chairman, amongst his other duties, schedules and chairs Board meetings and with the assistance of the Company Secretary and Executive Directors, prepares Board agenda as well as controls the quality, quantity and timeliness flow of information between Management to the Board, promoting effective communication with the Company's shareholders. The Chairman is also responsible for the workings of the Board and ensures the integrity and promoting his standard of corporate governance with full support of the directors and management.

Mr Chua Leong Hai is the CEO of the Company. He is the founder of the Group and has played an instrumental role in developing the business since its establishment. He has considerable industry experience and business network and has also provided the Group with strong leadership and vision. The CEO and Executive Directors, assisted by the various functional directors and senior management, manage and are responsible for the Group's day-to-day operations and business.

Board Membership and Performance

Principle 4: *There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.*

Principle 5: *There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.*

The NC comprises the following members, the majority of whom are Independent and Non-Executive Directors:

Khor Poh Hwa	Chairman and Independent Director
Koh Lian Huat	Member and Independent Director
Ong Seh Hong	Member and Independent Director
Chua Leong Hai	Member and CEO

CORPORATE GOVERNANCE REPORT

The principal functions of the NC include:

- determining the process for search, nomination, selection and appointment of new board members and being responsible for assessing nominees or candidates for appointment or election to the Board, determining whether or not such nominee has the requisite qualifications and whether or not he/she is independent;

- determining, on an annual basis, if a director is independent. If the NC determines that a director, who has one or more of the relationships mentioned under the Code is in fact independent, the Company will disclose in full, the nature of the director's relationship and bear responsibility for explaining why he should be considered independent. The Nominating Committee may at its discretion determine a director as non-independent even if he has no business or, other relationships with the Company, its related companies or its officers.

- recommending directors who are retiring by rotation to be put forward for re-election, having regard to the director's contribution and performance;

- reviewing and deciding whether or not a director is able to and has been adequately carrying out his/her duties as a director of the Company, particularly when he/she has multiple board representations and having regard to the competing time commitments that are faced by the director when serving on multiple boards;

- assessing the effectiveness of the Board as a whole, its Board committees and assessing the effective contribution and commitment of each individual director to the effectiveness of the Board. The results of the performance evaluation will be reviewed by the Chairman and the assessment shall be carried out annually;

- deciding how the Board's performance may be evaluated and propose objective performance criteria, subject to the approval of the Board, which allow for comparison with industry peers and which address how the Board has enhanced long-term shareholders' value;

- reviewing and approving any new employment of related persons and the proposed terms of their employment.

The NC meets at least once a year. The Articles provides that at least one-third of the directors shall retire from office and are subject to re-election at every Annual General Meeting ("**AGM**"). All directors are required to retire from office at least once every three years. A newly appointed Director must also subject himself for retirement and re-election at the next AGM immediately following his appointment. The shareholders approve the election of Board members at the AGM.

When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new Director with particular skills and knowledge, the NC, in consultation with the Board, determines the selection criteria for the position based on the skills and knowledge deemed necessary for the Board to best carry out its responsibilities. Candidates may be suggested by Directors or Management or sourced from external sources. The NC will interview the candidates and assess them based on objective criteria approved by the Board such as integrity, independent mindedness, possession of the relevant skills required or skills needed to complement the existing Board members, ability to commit the time and effort to carry out his responsibilities, good decision making track record, relevant experience and financial literacy. The NC will make a recommendation to the Board on the appointment. The Board then appoints the most suitable candidate who must stand for election at the next AGM of shareholders.

Despite some of the Directors having multiple board representations, the NC is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company after taking into consideration the number of listed company board representations and other principal commitments of these Directors. Currently, the NC did not determine the maximum number of listed board representation which any director may hold. The NC and the Board will review the requirement to determine the maximum number of listed board representations as and when it deems fit.

CORPORATE GOVERNANCE REPORT

Assessment of Independence of Individual Director

Directors	Date of Appointment	Independence status under the code	Less than 10% interest (direct/ deemed)	[1] Independent relationship	Served on the Board for less than 9 years	[2] Immediate family relationship
Ong Seh Hong	23 Sep 2011	Yes	Nil	Yes	Yes	No
Chua Leong Hai	20 May 2009	No	No	No	Yes	Yes
Chew Tuan Dong	8 August 2014	No	Nil	No	Yes	No
Chua Hua Hong	15 Sep 2009	No	Yes	No	Yes	Yes
Kee Guan Chua	26 Mar 2012	No	Yes	No	Yes	No
Chua Sey Kok	8 August 2014	No	Nil	No	Yes	No
Khor Poh Hwa	30 Nov 2009	Yes	Nil	Yes	Yes	No
Koh Lian Huat	30 Nov 2009	Yes	Nil	Yes	Yes	No

1. Relationship with the Company, its related corporations , its 10% shareholders or its officers
2. Immediate family relationship between the candidate and the directors, the Company or its 10% shareholders

Board performance

For FY2014, the NC evaluated the Board as a whole and its Board committees. The performance criteria for the Board and Board committees evaluation cover amongst other criteria, Board Structure, Conduct of Meetings, Corporate Strategy and Planning and Risk Management and Internal Control. Although the Directors are not evaluated individually, the factors taken into consideration for the re-nomination of the Directors for the current year are based on the Directors' attendance at meetings held during the year and the contribution made by the Directors at the meetings.

The NC has recommended and the Board has approved the re-election of Mr Kee Guan Chua and Mr Khor Poh Hwa who are retiring under Article 97 of the Articles, Mr Chua Sey Kok and Mr Chew Tuan Dong under Article 101 of the Articles and re-appoint of Mr Chua Leong Hai and Mr Koh Lian Huat, directors retiring pursuant to Section 153(6) of the Companies Act, Chapter. 50, who are over 70 years of age at the forthcoming AGM.

Each member of the NC shall abstain from voting on any resolutions and making recommendations and/or participating in any deliberations of the NC in respect of his re-nomination as director.

The key information regarding directors such as academic and professional qualifications, board committees served, directorships or chairmanships both present and past held over the preceding three years in other listed companies and other principal commitment, whether the appointment is executive or non-executive can be found under Principle 1 and the "Board of Directors" section of the Annual Report.

Access to Information

Principle 6: *In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.*

Proposals to the Board for decision or mandate sought by the Management are in the form of memos that give Board members complete, adequate and timely information, and are distributed prior to board meetings. Staff who can provide additional insight into matters to be discussed will be present at the relevant time during the Board and Board committee meetings.

Management will brief the Directors on the background and any material and significant information affecting the business of the Group before proceed to the Board's discussion and seek for the Board's approval. Any requests by Directors for further explanation, briefing on any aspect of the Group's operations or business are met with in a timely manner.

CORPORATE GOVERNANCE REPORT

Draft agendas for Board and Board committee meetings are circulated to the executive directors and Board committee chairmen respectively, in advance, in order for them to suggest items onto the agenda and/or review the usefulness of the items in the proposed agenda.

Board members have separate and independent access to the Company's senior management and the Company Secretary. The Company Secretary or his representative will attend all meetings of the Board and Board Committees and assists in ensuring that relevant procedures are followed and reviewed such that the Board and Board Committees function effectively. The decision to appoint or remove the Company Secretary is a decision made by the Board as a whole.

Should directors, whether as a group or individually, need independent professional advice to enable them to discharge their duties, the Company, subject to the approval of the Board, will appoint a professional advisor to render advice at the cost of the Company.

REMUNERATION MATTERS

Procedures For Developing Remuneration Policies

Principle 7: *There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.*

The RC comprises the following members, all of whom are Independent and Non-Executive Directors:

Ong Seh Hong	Chairman and Independent Director
Khor Poh Hwa	Member and Independent Director
Koh Lian Huat	Member and Lead Independent Director

The principal responsibilities of the RC are set out in the terms of reference and its key functions include:

- reviewing and recommending to the Board, a framework of remuneration and to determine the specific remuneration packages and terms of employment for directors, the CEO, senior management of the Group and employees related to directors or controlling shareholders of the Group;
- reviewing the service contracts of the executive directors; and
- administering the HLS Employee Share Option Scheme and HLS Performance Share Plan.

No director is involved in deciding his own remuneration, except in providing information and documents if specifically requested by the RC to assist in its deliberations.

The RC's review covers all aspects of remuneration, including salaries, fees, allowances, bonuses and benefits-in-kind. The RC's recommendations are submitted for endorsement by the entire Board.

The RC members are knowledgeable in the field of executive compensation and also have access to expert advice from external consultants, where necessary.

Level and Mix of Remuneration

Principle 8: *The level and the structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.*

The Company adopts a remuneration policy for employees and executive directors comprising a fixed component in the form of a base salary, and a variable component in the form of a bonus that is linked to the performance of the Company, the individual, the industry and the economy, to align their interests with those of shareholders.

CORPORATE GOVERNANCE REPORT

The Non-Executive Directors receive directors' fees, in accordance with their contribution, taking into account factors such as effort, time spent, responsibilities of the directors and the need to pay competitive fees to attract, motivate and retain such Independent and Non-Executive directors. Directors' fees are recommended by the Board for approval by the shareholders at the Company's general meeting.

The Executive Directors do not receive Directors' fees. The remuneration packages of the Executive Directors are the key management personnel comprise primarily a basic salary component and a variable component which is the bonuses and other benefits. These service agreements are subject to review by the RC and provide for termination by either party giving to other not less than 6 months' prior notice.

Disclosure of Remuneration

Principle 9: *Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.*

Remuneration paid or accrued to Directors for FY2014 is as follows:

Remuneration paid or accrued to Directors for the financial year ended 31 December 2014

Directors of Company	Fixed component[1]	Variable component[2]	Directors' Fees	Total
	%	%	%	%
$ 3,250,000 to $3,500,000				
Chua Leong Hai	10	90	-	100
$250,000 to $500,000				
Chew Tuan Dong	75	25	-	100
Chua Hua Hong	62	38	-	100
Kee Guan Chua	58	42	-	100
Below $250,000				
Chua Sey Kok[3]	74	26	-	100
Ong Seh Hong	-	-	100	100
Koh Lian Huat	-	-	100	100
Khor Phor Hwa	-	-	100	100

Notes:
1. Fixed component refers to base salary earned, allowances, benefits in kind and employer CPF.
2. Variable component refers to variable bonus, performance bonus and employer CPF.
3. Chua Sey Kok joined the Group on 1 July 2014.

The Board believes that it is for the benefit of the Company and the Group that the remuneration of Directors be kept confidential, due to its sensitive nature.

The Company had entered into a service agreement with Mr Chua Leong Hai in relation to his appointment as the CEO of the Company. The service agreement took effect from the date of the Company's admission to the Official List of the SGX-ST, being 21 December 2009, for an initial period of three years and renewable automatically on a yearly basis thereafter.

CORPORATE GOVERNANCE REPORT

Remuneration of the Key Management Personnel

Remuneration paid or accrued to the top seven key management personnel FY2014 is as follows:

Key Management Personnel of Company	Fixed component[1]	Variable component[2]	Total
	%	%	%
Below or equal to $250,000			
Ang Kwee Hong	71	29	100
Chong Lee Yin	68	32	100
Choo Ket Weng	78	22	100
Chua Siok Peng[3]	68	32	100
Daniel Tay Chin Kwang	73	27	100
Fong Kam Wai	72	28	100
Thomas Khong	80	20	100

Notes:
1. Fixed component refers to base salary earned, allowances, benefits in kind and employer CPF
2. Variable component refers to variable bonus, performance bonus and employer CPF
3. Chua Siok Peng is the daughter of Chua Leong Hai and niece of Chua Hua Hong

The aggregate of the total remuneration paid to the above key management personnel for FY2014 was $1,573,415.

Remuneration of Employees related to Directors

Save for Ms Chua Siok Peng as disclosed in the Key Management Personnel section, the employees who are immediate family members of Directors or CEO and remuneration exceeding $50,000 are listed below:

Remuneration Band: $50,000 to below $100,000	
Name	**Relationship**
Chua See	Brother of Chua Leong Hai and Chua Hua Hong
Chua Hua Leong	Brother of Chua Leong Hai and Chua Hua Hong

HLS Share-based Incentives

The Company has adopted a share option scheme known as the "HLS Employee Share Option Scheme" ("**Scheme**") and a performance share plan known as the "HLS Performance Share Plan" ("**Plan**"), both of which were approved at an Extraordinary General Meeting of the Company held on 1 December 2009. The RC is responsible for the administration of the share-based remuneration plans.

Both the Scheme and the Plan will provide employees of the Group with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty.

The Plan and the Scheme are designed to complement each other in our Company's efforts to reward, retain and motivate employees to achieve better performance. The aim of implementing more than one incentive plan is to grant our Company the flexibility in tailoring reward and incentive packages suitable for each group of the Participants by providing an additional tool to motivate, reward and retain staff members so that our Company can offer compensation packages that are competitive.

CORPORATE GOVERNANCE REPORT

The focus of the Plan is principally to target selected management in key positions who are able to drive the growth of the Company through creativity, firm leadership and excellent performance. The Company believes that it will be more effective than merely having pure cash bonuses in place to motivate executives to work towards determined goals. The Awards given to a particular Participant under the Plan and the number of Plan Shares will be determined at the discretion of the RC, who will take into account factors such as the Participant's capability, scope of responsibility and skill. In deciding on an Award to be granted to a Participant, the RC will also consider the compensation and/or benefits to be given to the Participant under the Scheme and other share-based incentive schemes of the Company, if any. The RC may also set specific criteria and Performance Conditions for each different department, taking into account factors such as (i) the Group's business goals and directions for each financial year; (ii) the Participant's actual job scope and duties; and (iii) the prevailing economic conditions.

In contrast, the Scheme is meant to be more of a "loyalty" driven time-based incentive program. The Scheme will be available to Directors and the employees and will function as a generic share-based incentive scheme. In any event, the aggregate number of Plan Shares and the Scheme Shares will be subject to the maximum limit of fifteen percent (15%) of the Company's total issued share capital. As the Scheme and the Plan are valid for a period of 10 years, this maximum limit of 15% of the Company's total issued share capital allows for a potential increase in the number of employees as our Company expands in the future.

Each of the Scheme and the Plan shall continue in force at the discretion of the RC subject to a maximum period of 10 years commencing on the date it is adopted by the Company in general meeting, provided always that it may continue beyond the above stipulated period with the approval of Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

The Company has not granted any Options or Awards since the date of approval of the Scheme and Plan. Accordingly, the disclosure requirements under Rule 852(1)(b), (c) and (d) of the SGX-ST Listing Manual are not applicable.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.

The Management will provide the members of the Board with management reports regularly. Such reports will keep the Board updated as well as enable the members to have a balanced and objective assessment of the Group's performance, position and prospects. The Management will also assist the Board to provide the Shareholders with a balanced and understandable assessment of the Group's performance, financial position and prospects via the issuance of the Company's annual reports and quarterly announcements of its financial results and disclosure of other relevant information of the Group.

Risk Management And Internal Controls

Audit Committee

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The ARMC (Audit Committee was renamed to Audit and Risk Management Committee in 2012) comprises the following members, all of whom are Independent and Non-Executive Directors:

Koh Lian Huat	Chairman and Lead Independent Director
Khor Poh Hwa	Member and Independent Director
Ong Seh Hong	Member and Independent Director

CORPORATE GOVERNANCE REPORT

The Board has reviewed and is satisfied that the members of the ARMC are appropriately qualified to discharge their responsibilities, with Mr Koh Lian Huat having the requisite accounting or related financial management expertise or experience. The members of the ARMC are scheduled to meet to review the quarterly results before announcement and may meet at other times as when required. The functions of the ARMC include the following:

- review with the external auditors the audit plan, their audit report, their management letter and our Management's corresponding response;
- review with independent internal auditors the internal audit plan and their evaluation of the adequacy of our internal controls;
- review the internal controls (including financial, operational and compliance controls and risk management policies and systems established by the Management) and procedures and ensure co-ordination between the external auditors and our Management, reviewing the assistance given by our Management to the auditors, and discuss problems and concerns, if any, arising from the audits, and any matters which the auditors may wish to discuss (in the absence of our Management where necessary);
- consider and recommend the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal of the auditors, review the independence and objectivity of the external auditors annually;
- review transactions falling within the scope of Chapter 9 and Chapter 10 of the Listing Manual (if any);
- review arrangements by which our staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting and to ensure that arrangement are in place for the independent investigations of such matter and for appropriate follow-up;
- commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity or failure of internal controls or infringement of any Singapore laws, rules or regulations which have or are likely to have a material impact on the Company's operating results and/or financial position; and
- determine the Company's levels of risk tolerance and risk policies, and oversee Management in the design, implementation and monitoring of the risk management and internal control systems

Annually, the ARMC meets with the external auditors, and with the internal auditors, without the presence of the Management. ARMC members keep abreast of changes to accounting standards and important accounting issues with continuing education. In addition, the external auditors update the ARMC on the changes to accounting standards and issues which have a direct impact on financial statements to the Company.

The ARMC and the Board confirmed that in appointing the auditing firms for the Company, subsidiaries and significant associated companies, the Group has complied with Rules 712(2)(a) and 715 of the Listing Manual issued by SGX-ST in relation to its auditors.

The ARMC has undertaken a review of all non-audit services provided by the external auditors during the financial year, and in the ARMC's opinion, the provision of these services does not impair the independence of the external auditors. The ARMC had recommended to the Board the re-appointment of Messrs Ernst & Young LLP as the external auditors of the Company at the forthcoming AGM.

The fees payable to auditors is separately disclosed in the audited financial statements in this Annual Report.

The Group has implemented a whistle-blowing policy. The policy aims to provide an avenue for employees to raise concerns about misconducts in the Group and at the same time assure them that they will be protected from victimization for whistle blowing in good faith. The ARMC will review any cases for significance and ensure adequacy and independence of investigation actions and resolutions.

Risk management

The Management regularly reviews its Group's business and operational activities and to identify areas of significant business risk as well as take appropriate measures to manage and mitigate these risks.

CORPORATE GOVERNANCE REPORT

The ARMC reviews and guides Management in the formulation of risk policies and processes to identify, evaluate and manage significant risks. The Management reports to the ARMC on control policies and procedures and highlights all significant matters to the ARMC on regular basis. Risks arising from the Group's financial operations are separately disclosed in the audited financial statements of this Annual Report.

The BSC was established in 2012 to oversee and monitor the establishment and maintenance of the safety practices and policies of the Group.

The BSC comprises the following members, all of whom are Independent and Non-Executive Directors:

Khor Poh Hwa	Chairman and Independent Director
Koh Lian Huat	Member and Lead Independent Director
Ong Seh Hong	Member and Independent Director

Internal Controls

The Board acknowledges that it is responsible for the overall internal control framework, but recognizes that no cost effective internal control system will preclude all errors and irregularities. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The ARMC is responsible for ensuring that a review of the adequacy of the Company's internal financial controls, operational and compliance controls, as well as risk management policies and systems established by the Management is conducted at least annually.

The Board has received assurance from the CEO and the CFO:

a. that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

b. regarding the effectiveness of the Company's risk management and internal control systems.

Based on the internal auditors established and maintained by the Group, work performed by the internal and external auditors and reviews performed by the Management, ARMC and the Board, the Board with the concurrence of the ARMC is of the opinion that the systems of the internal controls is adequate to address the financial, operational, compliance risks, information technology controls and risk management system were adequate and effective as at 31 December 2014.

Internal audit

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Group has outsourced its internal audit function to RSM Ethos Pte Ltd. The internal auditors has adopted the Standards for Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The internal auditors primary reported to the ARMC Chairman.

The internal auditors plans its audit schedules in consultation with the Management and its plans are submitted to the ARMC for approval. The ARMC reviews and approves the internal audit plans and resources annually. Based on their review, the ARMC believes that the internal auditors is independent and has the appropriate standing to perform its functions effectively. Based on the information provided to the ARMC, nothing has come to the ARMC's attention to cause the ARMC to believe that the internal control system is inadequate.

CORPORATE GOVERNANCE REPORT

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights and Communications with Shareholders

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company recognises the need to communicate with shareholders on all material matters affecting the Group and does not practice selective disclosure. Financial results and other material information are communicated to shareholders on equal and timely basis through SGXNET.

All the shareholders are entitled to receive the Annual Report together with the notice of AGMs by post, published in a newspaper and via SGXNET within the mandatory period. Besides that, all the shareholders also will receive the relevant circular together with the notice of Extraordinary General Meetings by post, published in a newspaper and via SGXNET.

In addition, all the shareholders may appoint maximum up to 2 proxies to attend, vote and question the Board and Management, for and on behalf of the shareholder whom are not able to attend the general meeting personally. Therefore, all the shareholders are given an opportunity to participate effectively and vote in general meeting.

The Company also communicates through its corporate website http://www.hlsgroup.com.sg which provides shareholders with corporate announcements, press releases, annual reports and profile of the Group.

The Company does not have a fixed dividend policy. The dividend that the Board may recommend in respect of each financial year is subject to various factors such as the level of available cash, financial performance and projected capital expenditures and investment plans.

Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The AGM of the Company provides a principal forum for dialogue and interaction with shareholders. Members of the Board, including the chairman of the ARMC, NC and RC, and the Company's external auditors are present to address questions raised by shareholders at AGMs.

The Articles provides for voting in person or by proxy at the AGMs of the Company.

Issues or matters requiring shareholders' approval are tabled in the form of separate and distinct resolutions for each substantially separate issue. Where the resolutions are interdependent and linked so as to form one significant proposal, the resolutions may be "bundled" but with an explanation from the Company of the reasons and material implications.

The Company prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management. These minutes are available to shareholders upon their request.

CORPORATE GOVERNANCE REPORT

Dealings in Securities

The Company has adopted an internal code on dealings in securities to govern dealings in its shares by the Directors and the employees of the Group. This internal code is made in compliance with Rule 1207(19) of the Listing Manual of the SGX-ST relating to dealings in securities and has been disseminated to the Directors and the employees of the Group informing them of the implications on insider trading.

The internal code prohibits the dealing in securities of the Company by Directors and employees while in possession of price-sensitive information, and during the period commencing two weeks before the announcement of the quarterly results or the period of one month in the case of the announcement of the full year results, and ending on the date of the announcement. Directors are required to report securities dealings to the Company and the necessary announcements are made as required. In addition, Directors and employees are reminded to observe insider trading rules at all times and not to deal with the Company's securities on short-term considerations.

Material Contracts

Except as disclosed in the financial statements, there were no material contracts entered into by the Company or its subsidiary companies, involving the interests of any director or controlling shareholder subsisting at the end of the FY2014.

Interested Person Transactions

The Company has established procedures to ensure that transactions with interested persons are properly reviewed and approved and are conducted at arm's length basis.

The Company will seek a general mandate from its shareholders if necessary for those recurrent transactions of revenue or trading nature or those necessary for its day-to-day operations.

The aggregate value of the interested person transactions entered into during FY2014 is as follows:

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	236	Nil
Purchase of units at Ark@Gambas from the Group	3,200	
	3,436	Nil

CORPORATE GOVERNANCE REPORT

Use of Proceeds - update

The Company was admitted to the Official List of the SGX-ST on 21 December 2009 and raised 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	6,073	1,927
Working capital	13,600	13,600	-
Total	25,600	19,673	5,927

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.

FINANCIAL CONTENTS

DIRECTORS' REPORT

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of Hock Lian Seng Holdings Limited (the "Company") and its subsidiary companies (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2014.

DIRECTORS

The Directors of the Company in office at the date of this report are:

Chua Leong Hai @ Chua Leang Hai
Chua Hua Hong
Kee Guan Chua
Koh Lian Huat
Khor Poh Hwa
Ong Seh Hong
Chua Sey Kok
Chew Tuan Dong

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following Directors, who held office at the end of the financial year, had, according to the register of Directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares of the Company and related corporations (other than wholly-owned subsidiary companies) as stated below:

	Direct interest		Deemed interest	
Name of Director	**At the beginning of financial year or date of appointment**	**At the end of financial year**	**At the beginning of financial year or date of appointment**	**At the end of financial year**
Hock Lian Seng Holdings Limited Ordinary shares				
Chua Leong Hai @ Chua Leang Hai	193,871,547	193,871,547	42,118,037	42,118,037
Chua Hua Hong	12,369,065	12,369,065	–	–
Kee Guan Chua	450,000	450,000	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2015.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONT'D)

By virtue of Section 7 of the Singapore Companies Act, Cap. 50, Chua Leong Hai @ Chua Leang Hai is deemed to have interests in the shares held by the Company in its subsidiary companies.

Except as disclosed in this report, no Director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except that the Executive Directors have employment relations with the Group and have received remuneration in those capacities.

SHARE OPTIONS

No share options have been granted by the Company since its incorporation.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit Committee was renamed to Audit and Risk Management Committee in September 2013. The Audit and Risk Management Committee ("ARMC") comprises the following three Independent Directors:

Koh Lian Huat (Chairman)
Khor Poh Hwa
Ong Seh Hong

The ARMC performs the functions in accordance with section 201B(5) of the Singapore Companies Act, Cap. 50, including the following:

- Reviews the audit plans of the internal and external auditors of the Group and the Company and reviews the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group's and the Company's management to the external and internal auditors;
- Reviews the half-yearly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors;
- Reviews the adequacy and effectiveness of the Group's and the Company's material internal controls, including financial, operational compliance and information technology controls and risk management systems via reviews carried out by the internal auditor;
- Meets with the external auditor, other committees and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the ARMC;

DIRECTORS' REPORT

AUDIT AND RISK MANAGEMENT COMMITTEE (CONT'D)

- Reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviews the cost effectiveness and the independence and objectivity of the external auditor;
- Reviews the nature and extent of non-audit services provided by the external auditor;
- Recommends to the board of directors the external auditor to be nominated, approves the compensation of the external auditor, and reviews the scope and results of the audit;
- Reports actions and minutes of the ARMC to the board of directors with such recommendations as the ARMC considers appropriate; and
- Reviews interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's ("SGX-ST's") Listing Manual.

The ARMC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The ARMC has also conducted a review of interested person transactions.

The ARMC convened four meetings during the year. The ARMC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the ARMC are disclosed in the Report on Corporate Governance.

AUDITOR

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the Board of Directors,

Chua Leong Hai @ Chua Leang Hai
Director

Chew Tuan Dong
Director

Singapore
31 March 2015

STATEMENT BY DIRECTORS

We, Chua Leong Hai @ Chua Leang Hai and Chew Tuan Dong, being two of the Directors of Hock Lian Seng Holdings Limited, do hereby state that, in the opinion of the Directors,

(a) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity and consolidated cash flow statement, together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results of the business, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

Chua Leong Hai @ Chua Leang Hai
Director

Chew Tuan Dong
Director

Singapore
31 March 2015

INDEPENDENT AUDITOR'S REPORT

To the Members of Hock Lian Seng Holdings Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Hock Lian Seng Holdings Limited (the "Company") and its subsidiary companies (collectively, the "Group") set out on pages 34 to 105, which comprise the balance sheets of the Group and the Company as at 31 December 2014, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary companies incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
31 March 2015

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2014

(Amounts in Singapore dollars)

	Note	Group 2014	Group 2013 (Restated)
		S$'000	S$'000
Revenue	4	261,613	86,678
Cost of sales		(164,064)	(49,860)
Gross profit		97,549	36,818
Other income	5	2,627	2,235
Distribution and selling costs		(942)	(752)
Administrative costs		(7,002)	(4,211)
Other operating costs		(4,836)	(2,978)
Share of results of joint ventures		43	(1,761)
Profit before taxation	6	87,439	29,351
Income tax expense	7	(14,819)	(5,453)
Profit for the year		72,620	23,898
Profit attributable to:			
Owners of the Company		72,620	23,898
Earnings per share (cents)			
Basic	8	14.2	4.7
Diluted	8	14.2	4.7

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2014

(Amounts in Singapore dollars)

	Group	
	2014	2013 (Restated)
	S$'000	S$'000
Profit for the year	72,620	23,898
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Net gain/(loss) on fair value changes of available-for-sale financial assets	12	(21)
Other comprehensive income for the year, net of tax	12	(21)
Total comprehensive income for the year	72,632	23,877
Total comprehensive income attributable to:		
Owners of the Company	72,632	23,877

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

As at 31 December 2014

(Amounts in Singapore dollars)

		Group			Company	
	Note	2014	31 December 2013 (Restated)	1 January 2013 (Restated)	2014	2013
		S$'000	S$'000	S$'000	S$'000	S$'000
Non-current assets						
Property, plant and equipment	9	7,893	7,253	7,388	–	–
Investment properties	10	4,350	8,650	11,430	–	–
Investment in joint ventures	13	30	107	509	–	–
Investments in subsidiary companies	11	–	–	–	37,814	36,814
Investment securities	14	25,061	17,547	19,084	–	–
Deferred tax assets	25	6,978	279	273	–	–
		44,312	33,836	38,684	37,814	36,814
Current assets						
Contract work-in-progress	15	4,644	4,297	5,241	–	–
Development properties	16	73,520	157,874	115,144	–	–
Trade receivables	17	45,029	18,065	16,369	–	–
Other receivables	18	909	366	260	41,108	10,219
Amounts due from joint venture partners	22	87	764	294	–	–
Amounts due from a joint venture	23	53,230	51,544	40,440		
Prepayments and deposits	19	9,580	2,163	739	–	–
Investment securities	14	2,710	6,497	3,856	–	–
Cash and short term deposits	20	165,538	102,778	111,561	25,491	24,824
		355,247	344,348	293,904	66,599	35,043
Current liabilities						
Trade and other payables	21	61,318	54,856	58,363	4,319	593
Loans and borrowings	26	4,992	–	–	–	–
Amounts due to joint venture partners	22	109	680	152	–	–
Advance payment received for a construction project		8,318	–	–	–	–
Progress billings in excess of work-in-progress	15	3,670	58,270	63,241	–	–
Progress billings to customers for development projects		46,986	71,858	16,308		–
Provisions	24	45,376	6,968	8,603	–	–
Provision for taxation		22,196	6,023	5,099	12	19
		192,965	198,655	151,766	4,331	612
Net current assets		162,282	145,693	142,138	62,268	34,431

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

As at 31 December 2014

(Amounts in Singapore dollars)

		Group			Company	
	Note	**2014**	**31 December 2013 (Restated)**	**1 January 2013 (Restated)**	**2014**	**2013**
		S$'000	S$'000	S$'000	S$'000	S$'000
Non-current liabilities						
Deferred tax liabilities	25	3	3	8	–	–
Other payables	21	1,227	688	131	–	
Loans and borrowings	26	–	36,926	53,468	–	–
		1,230	37,617	53,607	–	–
Net assets		205,364	141,912	127,215	100,082	71,245
Equity attributable to owners of the Company						
Share capital	27	58,956	58,956	58,956	58,956	58,956
Capital reserve	28	1,000	1,000	1,000	–	–
Fair value adjustment reserve	29	–	(12)	9	–	–
Accumulated profits		161,647	98,207	83,489	41,126	12,289
Merger deficit	30	(16,239)	(16,239)	(16,239)	–	–
Total equity		205,364	141,912	127,215	100,082	71,245

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

(Amounts in Singapore dollars)

2014 Group	**Share capital (Note 27)**	**Capital reserve (Note 28)**	**Fair value adjustment reserve (Note 29)**	**Accumulated profits**	**Merger deficit (Note 30)**	**Total reserves**	**Total equity**
	Attributable to owners of the Company						
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Opening balance at 1 January 2014	58,956	1,000	(12)	98,207	(16,239)	82,956	141,912
Profit for the year	–	–	–	72,620	–	72,620	72,620
Other comprehensive income							
Net gain on fair value changes of available-for-sale financial assets	–	–	12	–	–	12	12
Total comprehensive income for the year	–	–	12	72,620	–	72,632	72,632
Contributions and distributions to owners							
Dividends on ordinary shares (Note 32)	–	–	–	(9,180)	–	(9,180)	(9,180)
Total contributions by and distributions to owners	–	–	–	(9,180)	–	(9,180)	(9,180)
At 31 December 2014	58,956	1,000	–	161,647	(16,239)	146,408	205,364

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

(Amounts in Singapore dollars)

2013 Group	Share capital (Note 27)	Capital reserve (Note 28)	Fair value adjustment reserve (Note 29)	Accumulated profits	Merger deficit (Note 30)	Total reserves	Total equity
	Attributable to owners of the Company						
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Opening balance at 1 January 2013	58,956	1,000	9	83,489	(16,239)	68,259	127,215
Profit for the year	–	–	–	23,898	–	23,898	23,898
Other comprehensive income							
Net loss on fair value changes of available-for-sale financial assets	–	–	(21)	–	–	(21)	(21)
Total comprehensive income for the year	–	–	(21)	23,898	–	23,877	23,877
Contributions and distributions to owners							
Dividends on ordinary shares (Note 32)	–	–	–	(9,180)	–	(9,180)	(9,180)
Total contributions by and distributions to owners	–	–	–	(9,180)	–	(9,180)	(9,180)
At 31 December 2013	58,956	1,000	(12)	98,207	(16,239)	82,956	141,912

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

(Amounts in Singapore dollars)

2014 Company	**Share capital (Note 27)**	**Accumulated profits**	**Total equity**
	S$'000	S$'000	S$'000
At 1 January 2014	58,956	12,289	71,245
Profit for the year, representing total comprehensive income, for the year	–	38,017	38,017
Contributions by and distributions to owners			
Dividends on ordinary shares (Note 32)	–	(9,180)	(9,180)
Total transactions with owners in their capacity as owners	–	(9,180)	(9,180)
At 31 December 2014	58,956	41,126	100,082

2013 Company	**Share capital (Note 27)**	**Accumulated profits**	**Total equity**
	S$'000	S$'000	S$'000
At 1 January 2013	58,956	11,137	70,093
Profit for the year, representing total comprehensive income, for the year	–	10,332	10,332
Contributions by and distributions to owners			
Dividends on ordinary shares (Note 32)	–	(9,180)	(9,180)
Total transactions with owners in their capacity as owners	–	(9,180)	(9,180)
At 31 December 2013	58,956	12,289	71,245

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2014

(Amounts in Singapore dollars)

	2014	2013 (Restated)
	S$'000	S$'000
Cash flows from operating activities		
Profit before taxation	87,439	29,351
Adjustments for:		
Depreciation of property, plant and equipment	1,487	1,299
Dividend income from investment securities (Fair value through profit or loss and available-for-sale)	(101)	(74)
Gain on disposal of property, plant and equipment	(75)	(109)
Fair value loss on investment properties (net) (Note 10)	4,300	2,780
Fair value loss on investment securities (Fair value through profit or loss)	279	73
Interest income	(2,198)	(1,969)
Share of results of joint ventures	(43)	1,761
Operating cash flows before changes in working capital	91,088	33,112
(Increase)/decrease in:		
Contract work-in-progress	(348)	944
Trade receivables	(26,964)	(1,696)
Development properties	84,354	(42,730)
Other receivables	349	181
Prepayments and deposits	(7,417)	(1,423)
Increase/(decrease) in:		
Trade and other payables and provisions	44,915	(6,501)
Progress billings in excess of work-in-progress	(24,872)	55,551
Progress billings to customers for development projects	(54,600)	(4,971)
Advance payment received for construction project	8,318	–
Cash flows generated from operations	114,823	32,467
Interest received – loans and receivables	1,252	1,063
Income tax paid	(5,345)	(4,541)
Net cash flows generated from operating activities	110,730	28,989

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2014

(Amounts in Singapore dollars)

	2014	2013 (Restated)
	S$'000	S$'000
Cash flows from investing activities		
Dividend income from investment securities	101	74
Amounts due from joint ventures	(1,686)	(50,986)
Proceeds from disposal of property, plant and equipment	331	275
Proceeds from maturity of investment securities (held-to-maturity)	3,501	2,791
Purchases of property, plant and equipment	(2,383)	(1,330)
Dividend received from a joint venture	75	–
Purchases of investment securities (held-to-maturity)	(7,508)	(4,005)
Increase in amounts due from joint venture partners (net)	106	40,498
Interest received – investment securities (held-to-maturity)	607	633
Net cash flows used in investing activities	(6,856)	(12,050)
Cash flows from financing activities		
Dividends paid on ordinary shares	(9,180)	(9,180)
Repayment of bank loans	(31,934)	(16,542)
Net cash flows used in financing activities	(41,114)	(25,722)
Net increase/(decrease) in cash and cash equivalents	62,760	(8,783)
Cash and cash equivalents at the beginning of year	102,778	111,561
Cash and cash equivalents at the end of year (Note 20)	165,538	102,778

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

1. CORPORATE INFORMATION

Hock Lian Seng Holdings Limited (the "Company") is a limited liability company, which is incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The registered office and the principal place of business of the Company is located at 80 Marine Parade Road, #21-08 Parkway Parade, Singapore 449269.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies, joint operation and joint ventures are disclosed in Notes 11, 12 and 13 respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars ("SGD" or "S$") and all values are rounded to the nearest thousand ("S$'000") as indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2014. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company except as discussed below.

FRS 111 Joint Arrangements and Revised FRS 28 Investments in Associates and Joint Ventures

The adoption of FRS 111 has resulted in the Group having to revise its method of accounting for certain joint arrangements. Investments in two jointly controlled entities, namely HLE Management Pte Ltd and Bukit Timah Green Development Pte Ltd had been previously consolidated proportionately. Under FRS 111, these arrangements are classified as joint ventures and are to be equity accounted.

The change in accounting policy has been applied in accordance with the transitional provision in FRS 111. The initial investments were measured as the aggregate of the carrying amounts of the assets and liabilities that the Group previously proportionately consolidated.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (cont'd)

FRS 111 Joint Arrangements and Revised FRS 28 Investments in Associates and Joint Ventures (cont'd)

The effects of adoption of FRS 111 and FRS 28 are as follows:

Impact on statement of profit or loss:

	Group		
	Previously reported 2013	Restatement due to adoption of FRS 111	Restated 2013
	S$'000	S$'000	S$'000
Sales	92,799	(6,121)	86,678
Cost of sales	(55,206)	5,346	(49,860)
Other income	2,250	(15)	2,235
Distribution and selling cost	(3,566)	2,814	(752)
Administrative expenses	(4,321)	110	(4,211)
Other operating costs	(2,978)	–	(2,978)
Share of loss of joint ventures	–	(1,761)	(1,761)
Profit before taxation	28,978		29,351
Income tax expense	(5,080)	(373)	(5,453)
Profit for the year	23,898		23,898

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (cont'd)

FRS 111 Joint Arrangements and Revised FRS 28 Investments in Associates and Joint Ventures (cont'd)

The effects of adoption of FRS 111 and FRS 28 are as follows (cont'd):

Impact on equity:

	Group		
	Previously reported 31 December 2013	**Restatement due to adoption of FRS 111**	**Restated 31 December 2013**
	S$'000	S$'000	S$'000
Property, plant and equipment	7,253	–	7,253
Investment properties	8,650	–	8,650
Investment in joint ventures	–	107	107
Investment securities	24,044	–	24,044
Deferred tax assets	653	(374)	279
Contract work-in-progress	4,297	–	4,297
Development properties	296,779	(138,905)	157,874
Trade receivables	20,343	(2,278)	18,065
Other receivables	366	–	366
Amounts due from joint venture partners	26,550	(25,786)	764
Amounts due from a joint venture	–	51,544	51,544
Prepayments and deposits	2,194	(31)	2,163
Cash and short term deposits	107,681	(4,903)	102,778
Total assets	498,810		378,184
Trade and other payables	60,511	(4,967)	55,544
Amounts due to joint venture partners	26,174	(25,494)	680
Progress billings in excess of work-in-progress	58,270	–	58,270
Progress billings to customers for development projects	71,858	–	71,858
Provisions	5,609	1,359	6,968
Provision for taxation	6,025	(2)	6,023
Deferred tax liabilities	3	–	3
Loans and borrowings	128,448	(91,522)	36,926
Total liabilities	356,898		236,272
Net assets	141,912		141,912

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (cont'd)

FRS 111 Joint Arrangements and Revised FRS 28 Investments in Associates and Joint Ventures (cont'd)

The effects of adoption of FRS 111 and FRS 28 are as follows (cont'd):

Impact on equity (cont'd):

	Group		
	Previously reported 1 January 2013	**Restatement due to adoption of FRS 111**	**Restated 1 January 2013**
	S$'000	S$'000	S$'000
Property, plant and equipment	7,388	–	7,388
Investment properties	11,430	–	11,430
Investment in joint ventures	–	509	509
Investment securities	22,940	–	22,940
Deferred tax assets	273	–	273
Contract work-in-progress	5,241	–	5,241
Development properties	241,133	(125,989)	115,144
Trade receivables	16,369	–	16,369
Other receivables	260	–	260
Amounts due from joint venture partners	20,518	(20,224)	294
Amounts due from a joint venture	–	40,440	40,440
Prepayments and deposits	739	–	739
Cash and short term deposits	111,818	(257)	111,561
Total assets	438,109		332,588
Trade and other payables	58,586	(92)	58,494
Amounts due to joint venture partners	20,372	(20,220)	152
Progress billings in excess of work-in-progress	63,241	–	63,241
Progress billings to customers for development projects	16,308	–	16,308
Provisions	8,603	–	8,603
Provision for taxation	5,101	(2)	5,099
Deferred tax liabilities	8	–	8
Loans and borrowings	138,675	(85,207)	53,468
Total liabilities	310,894		205,373
Net assets	127,215		127,215

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (cont'd)

FRS 111 Joint Arrangements and Revised FRS 28 Investments in Associates and Joint Ventures (cont'd)

Impact on cash flows statement:

	Group		
	Previously reported 2013	Restatement due to adoption of FRS 111	Restated 2013
	S$'000	S$'000	S$'000
Operating	17,061	11,928	28,989
Investing	(1,791)	(10,259)	(12,050)
Financing	(19,407)	(6,315)	(25,722)
Net decrease in cash and cash equivalents	(4,137)		(8,783)

2.3 Standards issued but not yet effective

The Group has not adopted the following standards that have been issued but not yet effective:

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 19 *Defined Benefit Plans: Employee Contributions*	1 July 2014
Improvements to FRSs (January 2014)	
Amendments to FRS 102 *Share Based Payment*	1 July 2014
Amendments to FRS 103 *Business Combinations*	1 July 2014
Amendments to FRS 108 *Operating Segments*	1 July 2014
Amendments to FRS 113 *Fair Value Measurements*	1 July 2014
Amendments to FRS 16 *Property, Plant and Equipment and FRS 38 Intangible Assets*	1 July 2014
Amendments to FRS 24 *Related Party Disclosures*	1 July 2014
Improvements to FRSs (February 2014)	
Amendments to FRS 103 *Business Combinations*	1 July 2014
Amendments to FRS 113 *Fair Value Measurement*	1 July 2014
Amendments to FRS 1 *Disclosure Initiative*	1 January 2016
Amendments to FRS 27 *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 28 *Investments in Associates and Joint Ventures*	1 January 2016
Amendments to FRS 110 *Consolidated Financial Statements*	1 January 2016
Amendments to FRS 111 *Joint Arrangements*	1 January 2016
Amendments to FRS 112 *Disclosure of Interests in Other Entities*	1 January 2016
FRS 115 *Revenue from Contracts with Customers*	1 January 2017
FRS 109 *Financial Instruments*	1 January 2018

Except for Amendments to FRS 27, FRS 115 and FRS 109, the Directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of Amendments to FRS 27, FRS 115 and FRS 109 is described below.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective (cont'd)

Amendments to FRS 27 *Equity Method in Separate Financial Statements*

Amendments to FRS 27 are effective for financial periods beginning on or after 1 January 2016. These amendments allow the equity method as an accounting option for investments in subsidiaries and joint ventures in an entity's separate financial statements. Upon adoption of Amendments to FRS 27, the dividend is recognised in profit or loss unless the entity elects to use the equity method, in which case the dividend is recognised as a reduction from the carrying amount of the investment.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 is effective for financial periods beginning on or after 1 January 2017. FRS 115 establishes a five-step model that apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles).

Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgements and estimates.

FRS 109 *Financial Instruments*

FRS 109 is effective for financial periods beginning on or after 1 January 2018. FRS 109 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in FRS 39. The approach in FRS 109 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets, and enables companies to reflect their risk management activities better in their financial statements, and, in turn, help investors to understand the effect of those activities on future cash flows. FRS 109 is principle-based, and will more closely align hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

The Group is currently evaluating the impact of the changes and assessing whether the adoption of Amendments to FRS 27, FRS 115 and FRS 109 will have an impact on the Group and the Company.

2.4 Functional and foreign currency

The Group's consolidated financial statements are presented in SGD, which is also the Company's and its subsidiary companies' functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiary companies and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Subsidiary companies

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiary companies are accounted for at cost less any impairment losses.

2.6 Basis of consolidation and business combinations

A) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at the end of the reporting period. The financial statements of the subsidiary companies used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

A change in the ownership interest of a subsidiary company, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary company, it:

– de-recognises the assets (including goodwill) and liabilities of the subsidiary company at their carrying amounts at the date when control is lost;

– de-recognises the carrying amount of any non-controlling interest;

– de-recognises the cumulative translation differences recorded in equity;

– recognises the fair value of the consideration received;

– recognises the fair value of any investment retained;

– recognises any surplus or deficit in profit or loss; and

– re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or accumulated profits, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Basis of consolidation and business combinations (cont'd)

B) Business combinations

Business combinations involving entities under common control are accounted for by applying the pooling of interest method which involves the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company.

- No adjustments are made to reflect the fair values on the date of combination, or recognise any new assets or liabilities.

- No additional goodwill is recognised as a result of the combination.

- Any difference between the consideration paid/transferred and the equity 'acquired' is reflected within the equity as merger deficit.

- The consolidated income statement reflects the results of the combining entities for the full year, irrespective of when the combination took place.

- Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.

2.7 Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

a) Joint operations

The Group recognises in relation to its interest in a joint operation,

(i) its share of any asset held jointly;
(ii) its share of any liabilities incurred jointly;
(iii) its share of the revenue of the joint operation; and
(iv) its share of any expenses incurred jointly.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Joint arrangements (cont'd)

b) Joint ventures

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method from the date on which it becomes a joint venture.

Under the equity method, the investment in joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint ventures. The profit or loss reflects the share of results of the operations of the joint ventures. Distributions received from joint ventures reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and joint venture are eliminated to the extent of the interest in the joint ventures.

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture. After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the joint ventures are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.19. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Machinery and equipment	-	10 years
Motor vehicles	-	5 years
Office equipment	-	3 years
Furniture and fittings	-	10 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit or loss in the year in which the asset is de-recognised.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Investment properties

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held in order to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing parts of existing investment properties at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Investment properties are de-recognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment properties only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.8 up to the date of change in use.

2.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Impairment of non-financial assets (cont'd)

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.11 Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss exclude exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Financial assets (cont'd)

Subsequent measurement (cont'd)

(b) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the profit or loss when the loans and receivables are de-recognised or impaired, and through the amortisation process.

(c) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

(d) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the held-to-maturity investments are de-recognised or impaired, and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Financial assets (cont'd)

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or de-recognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and fixed deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.13 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Impairment of financial assets (cont'd)

(a) Financial assets carried at amortised cost (cont'd)

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the profit or loss.

(b) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Impairment of financial assets (cont'd)

(c) Available-for-sale financial assets (cont'd)

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

2.14 Construction contracts

The Group principally operates fixed price contracts. Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period (the percentage of completion method), when the outcome of a construction contract can be estimated reliably.

The outcome of a construction contract can be estimated reliably when:

i) Total contract revenue can be measured reliably;
ii) It is probable that the economic benefits associated with the contract will flow to the entity;
iii) The costs to complete the contract and the stage of completion can be measured reliably; and
iv) The contract costs attributable to the contract can be clearly identified and measured reliably so that actual costs incurred can be compared with prior estimates.

When the outcome of a construction contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred.

An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

Contract costs include costs that relate directly to the specific contract and costs that are attributable to contact activity in general and can be allocated to the contract. Costs that related directly to a specific contract comprise: site labour costs (including site supervision); cost of materials used in construction; depreciation of equipment used on the contract; cost of designs and technical assistance that is directly related to the contract.

The stage of completion is measured by reference to professional surveys of work performed. In evaluating the stage of completion, the Group relies on past experience and the work of specialists.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Development properties

Development properties are properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for the Group's own use, rental or capital appreciation.

Development properties are held as inventories and are measured at the lower of cost and net realisable value. Net realisable value of development properties is the estimated selling price in the ordinary course of business, based on market prices at the end of the reporting period and discounted for the time value of money if material, less the estimated costs of completion and the estimated costs necessary to make the sale.

The costs of development properties include:

- Leasehold rights for land;
- Amounts paid to contractors for construction, and
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Non-refundable commissions paid to sales or marketing agents on the sales of real estate units are capitalised when incurred.

The costs of development properties recognised in profit or loss on disposal are determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

Development properties for which revenue is recognised using the percentage of completion method is stated at cost plus estimated profits to-date less progress billings. For other development properties for which revenue is recognised using the completed contract method, these are stated at cost while progress billings are presented separately as "progress billings to customers for development projects" in the balance sheet.

2.16 Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Financial liabilities (cont'd)

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

ii) Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Provisions (cont'd)

Provisions for maintenance and warranties

The Group provides for maintenance and warranty claims on contractual items with customers after the substantial completion of projects.

The provisions for maintenance and warranties represent the best estimate of the Group's contractual obligations at the balance sheet date. The provisions are based on past experience of the level of maintenance and rectification work. The majority of the costs is expected to be incurred over the applicable warranty periods. The assumptions used to estimate maintenance and warranties provisions are reviewed periodically in light of actual experience.

Provisions for share of a joint venture's losses

The Group provides for its share of further losses in a joint venture, in excess of its interest in the joint venture when the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

2.18 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in the profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2.19 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Employee benefits

(i) Defined contribution plans

The Group makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(ii) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

(iii) Equity-settled share-based payment transactions

Selected employees of the Group received remuneration in the form of shares as consideration for services rendered.

The cost of equity-settled share-based payment transactions is measured by reference to the fair value of the shares at the grant date and is recognised in profit or loss with recognition of a corresponding equity.

2.21 Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

(i) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Leases (cont'd)

(ii) As lessor

Leases where the Group retains substantially all the risk and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.22(iii). Contingent rents are recognised as revenue in the period in which they are earned.

2.22 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(i) Contract revenue

Revenue from contract services is recognised by reference to the stage of completion when it can be measured reliably. The stage of completion is determined based on professional surveys of work performed.

Where the outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(ii) Sales of completed development properties and development properties under construction

Revenue from sales of completed development properties and development properties under construction is recognised when the significant risks and rewards of ownership of the real estate have been transferred to the buyer (i.e. revenue is recognised using the completed contract method). If, however, the legal terms of the contract are such that the construction represents the continuous transfer of work in progress to the purchaser, the percentage of completion method of revenue recognition is applied and revenue is recognised as work progresses.

In Singapore context, INT FRS 115 Agreements for the Construction of Real Estate includes an accompanying note on application of INT FRS 115 in Singapore which requires the percentage of completion method of revenue recognition to be applied to the sale of private residential properties in Singapore prior to completion of the properties that are regulated under the Singapore Housing Developers (Control and Licensing) Act (Chapter 130) and uses the standard form of sale and purchase agreements (SPAs) prescribed in the Housing Developers Rules. The accompanying note to INT FRS 115 does not address the accounting treatment for other SPAs, including SPAs with a Deferred Payment Scheme feature in Singapore.

In the case whereby the percentage of completion method is used, the percentage of work completed is measured based on the costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred. The costs incurred will be based on surveys/certifications of work performed as construction progresses.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Revenue (cont'd)

(iii) Rental income

Rental income arising from the investment properties are recognised on a straight-line basis over the period of the lease.

(iv) Interest income

Interest income is recognised using the effective interest method.

(v) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

2.23 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiary companies and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiary companies and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 Taxes (cont'd)

(b) Deferred tax (cont'd)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.24 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.25 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period.

3.1 Judgments made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

- **Taxes**

  The Group has exposure to income taxes mainly in Singapore. Significant judgment is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

  The carrying amount of the Group's income tax payable, deferred tax liabilities and deferred tax assets as at 31 December 2014 were S$22,196,000 (2013: S$6,023,000), S$3,000 (2013: S$3,000) and S$6,978,000 (2013: S$279,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONT'D)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

- **Construction contracts**

  The Group recognises contract revenue based on the stage of completion method. The stage of completion is determined based on surveys of work performed.

  Significant judgment is required in determining the stage of completion, as well as the estimated total revenues and costs. In making the judgment, the Group evaluates the stage of completion, the estimated total revenues and costs by relying on past experience and the work of the project engineers.

  The carrying amount of assets and liabilities arising from construction contracts at the end of each reporting period are disclosed in Note 15 to the financial statements. If the estimated total contract cost had been 1% higher than management estimate, the carrying amount of the assets and liabilities arising from construction contracts would have been S$86,000 (2013: S$2,902,000) lower and S$1,657,000 (2013: S$4,115,000) higher respectively.

4. REVENUE

	Group	
	2014	**2013 (Restated)**
	S$'000	S$'000
Contract revenue	56,815	75,351
Revenue from sale of development property (on completion basis)	192,988	–
Rental income from investment properties	10,668	10,139
Supply of labour and services provided	1,142	1,188
	261,613	86,678

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

5. OTHER INCOME

	Group	
	2014	**2013 (Restated)**
	S$'000	S$'000
Gain on disposal of property, plant and equipment	75	109
Dividend income from investment securities		
(Fair value through profit or loss and available-for-sale)	101	74
Interest income from:		
- Loans and receivables	1,237	1,049
- Investment securities (Held-to-maturity)	961	920
Sundry income	253	83
	2,627	2,235

6. PROFIT BEFORE TAXATION

The following items have been included in arriving at profit before taxation:

	Group	
	2014	**2013 (Restated)**
	S$'000	S$'000
Depreciation of property, plant and equipment	1,487	1,299
Fair value loss on investment securities		
(Fair value through profit or loss)	279	73
Fair value loss on investment properties (net)	4,300	2,780
Operating lease expenses	236	224
Employee benefits expense (Note A)	21,442	13,902
Audit fees paid to:		
- Auditors of the Company	141	136
Non-audit fees paid to:		
- Auditors of the Company	18	19
- Other auditors	21	20

Note A: Employee benefits expense

Employee benefit expense (including directors):		
Salaries, bonus and other benefits	19,582	12,596
Defined contribution plans	1,860	1,306
	21,442	13,902

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

7. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2014 and 2013 are:

	Group	
	2014	**2013 (Restated)**
	S$'000	S$'000
Consolidated income statement:		
Current income tax:		
- current income taxation	21,518	5,470
Deferred income tax:		
- origination and reversal of temporary differences	(6,676)	7
- overprovision in respect of prior years	(23)	–
- benefits from previously unrecognised tax losses	–	(24)
Income tax expense recognised in profit or loss	14,819	5,453

Relationship between income tax expense and accounting profit

The reconciliation between income tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2014 and 2013 are as follows:

	Group	
	2014	**2013 (Restated)**
	S$'000	S$'000
Profit before taxation	87,439	29,351
Tax at Singapore statutory tax rate of 17% (2013: 17%)	14,865	4,990
Adjustments:		
Non-deductible expenses	288	1,480
Income not subject to taxation	(104)	(847)
Effect of partial tax exemption	(113)	(83)
Overprovision in respect of previous years	(23)	–
Benefits from previously unrecognised tax losses	–	(24)
Corporate income tax rebates	(94)	(63)
Income tax expense recognised in profit or loss	14,819	5,453

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

8. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing profit for the year that is attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share amounts are calculated by dividing the profit for the year that is attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. There were no potential dilutive ordinary shares existing during the respective financial years.

The following table reflects the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2014	**2013**
Profit for the year, attributable to owners of the Company for basic and diluted earnings per share (S$'000)	72,620	23,898
Weighted average number of ordinary shares on issue applicable to basic and diluted earnings per share ('000)	509,979	509,979

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

9. PROPERTY, PLANT AND EQUIPMENT

Group	Machinery and equipment	Motor vehicles	Office equipment	Furniture and fittings	Total
	S$'000	S$'000	S$'000	S$'000	S$'000
Cost					
At 1 January 2013	12,888	3,193	444	182	16,707
Additions	1,244	–	86	–	1,330
Disposals	(447)	(520)	(53)	–	(1,020)
Write-off	–	–	(46)	(6)	(52)
At 31 December 2013 and 1 January 2014	13,685	2,673	431	176	16,965
Additions	646	1,659	78	–	2,383
Disposals	(1,044)	(345)	(7)	–	(1,396)
At 31 December 2014	13,287	3,987	502	176	17,952
Accumulated depreciation					
At 1 January 2013	6,406	2,444	385	84	9,319
Charge for the year	1,023	205	54	17	1,299
Disposals	(419)	(383)	(52)	–	(854)
Write-off	–	–	(46)	(6)	(52)
At 31 December 2013 and 1 January 2014	7,010	2,266	341	95	9,712
Charge for the year	1,128	293	50	16	1,487
Disposals	(801)	(332)	(7)	–	(1,140)
At 31 December 2014	7,337	2,227	384	111	10,059
Net carrying amount					
At 31 December 2014	5,950	1,760	118	65	7,893
At 31 December 2013	6,675	407	90	81	7,253

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

10. INVESTMENT PROPERTIES

	Group	
	2014	**2013**
	S$'000	S$'000
Balance sheet:		
At 1 January	8,650	11,430
Net loss from fair value adjustments recognised in profit or loss	(4,300)	(2,780)
At 31 December	4,350	8,650
Income statement:		
Rental income from investment properties:		
- Minimum lease payments	10,668	10,139
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating properties	(3,254)	(3,080)

The investment properties held by the Group as at 31 December 2014 are as follows:

Description and location	Existing use	Tenure	Unexpired lease term
Office premises, 80 Marine Parade Road, #09-07, Singapore (99 years lease)	Office	Leasehold	64 years
Workers' dormitory, 200 Hougang Avenue 3, Singapore (3+3 years lease)	Dormitory	Leasehold	11 months

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Valuation of investment properties

The leasehold office premises in Singapore is stated at fair value, which has been determined based on valuation performed as at 31 December 2014. The valuation was performed by Colliers International Consultancy & Valuation (S) Pte Ltd, an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the property being valued. The valuation is based on the Direct Comparison Method that makes reference to market evidence of transaction prices for similar properties in the open market.

The workers' dormitory in Singapore is stated at fair value, which has been determined based on valuation performed as at 31 December 2014. The valuation was performed by Suntec Real Estate Consultants Pte Ltd, an independent valuer with a recognised and relevant professional qualification. The valuation is based on the Discounted Cash Flow Method. The cash flow projection is based on an analysis of the cash flows of rental revenue with provision for appropriate occupancy, rental and inflation rates over the remaining lease term of 11 months. The projected net income of the property is derived by deducting from the gross income, outgoings such as land rent, repair and upkeep and other operating expenses. As at 31 December 2014, the projected net income has not been discounted as the effect of discounting is not significant.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

10. INVESTMENT PROPERTIES (CONT'D)

Valuation of investment properties (cont'd)

The significant assumptions made relating to the valuation of the workers' dormitory is set out below:

	2014	2013
Discount rate	–	15%
Occupancy rate	60%	70% to 90%
Rental rate	market rate	market rate

11. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2014	2013
	S$'000	S$'000
Shares, at cost	37,814	36,814

Details of subsidiary companies as at 31 December 2014 and 2013 are as follows:

Name of subsidiary company	Country of incorporation and place of business	Principal activities	Proportion (%) of ownership interest	
			2014	2013
Hock Lian Seng Infrastructure Pte Ltd*	Singapore	Provision of civil engineering works and rental of workers' dormitory	100	100
Hock Lian Seng Properties Pte Ltd *	Singapore	Rental of property, property development and property related activities	100	100
HLS Development Pte Ltd *	Singapore	Property development and property related activities	100	100
First Shine Properties Pte Ltd *	Singapore	Investment holding and property related activities	100	100
First Shine Management Services Pte Ltd *	Singapore	Lodging and accommodation related activities	100	100
Beacon Properties Pte Ltd #	Singapore	Property development and property related activities	100	–

* Audited by Ernst & Young LLP, Singapore

\# Not required to be audited as it was incorporated less than six months from financial year end

NOTES TO THE FINANCIAL STATEMENTS

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12. INVESTMENT IN A JOINT OPERATION

The Group has 50% (2013: 50%) interest in an unincorporated jointly controlled entity, GS Engineering & Construction – Hock Lian Seng Infrastructure Joint Venture that is held through a subsidiary. The joint arrangement is classified as a joint operation and the Group recognised, in relation to its interest in the joint operation, its share of the assets, liabilities, revenues and expenses held or incurred jointly. The details of the joint operation as at 31 December 2014 and 2013 are as follows:

Name of partnership	Country of incorporation and place of business	Principal activities	Proportion (%) of ownership interest	
			2014	2013
GS Engineering & Construction – Hock Lian Seng Infrastructure Joint Venture*	Singapore	Provision of civil engineering and infrastructure works	50	50

* Audited by Ernst & Young LLP, Singapore

13. INVESTMENT IN JOINT VENTURES

The Group's investment in joint ventures is summarised below:

	Group	
	2014	2013 (Restated)
	S$'000	S$'000
HLE Management Pte Ltd	30	107
Bukit Timah Green Development Pte Ltd	-	-
	30	70

The Group has 50% (2013: 50%) interest in the ownership and voting rights in the joint ventures, HLE Management Pte Ltd and Bukit Timah Green Development Pte Ltd. The Group jointly controls the ventures with other partners under contractual agreements which require unanimous consent for all major decisions over the relevant activities. The details of the joint ventures as at 31 December are as follows:

Name of company	Country of incorporation and place of business	Principal activities	Proportion (%) of ownership interest	
			2014	2013
HLE Management Pte Ltd *	Singapore	Management and operation of student hostel	50.01	50.01
Bukit Timah Green Development Pte Ltd *	Singapore	Property development and property related activities	50	50

* Audited by Ernst & Young LLP, Singapore

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

13. INVESTMENT IN JOINT VENTURES (CONT'D)

Summarised financial information in respect of Bukit Timah Green Development Pte Ltd and HLE Management Pte Ltd based on their FRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheets

	Bukit Timah Green Development Pte Ltd		HLE Management Pte Ltd	
	2014	**2013**	**2014**	**2013**
	S$'000	S$'000	S$'000	S$'000
Current asset	300,898	293,417	66	222
Non-current asset	730	748	–	–
Total asset	301,628	294,165	66	222
Current liabilities	104,897	113,839	(6)	(8)
Non-current liabilities	199,358	183,043	–	–
Total liabilities	304,255	296,882	(6)	(8)
Net (liabilities)/assets	(2,627)	(2,717)	60	214
Proportion of the Group's ownership	50%	50%	50.01%	50.01%
Group's share of net (liabilities)/assets	(1,314)	(1,359)	30	107
Carrying amount of the investment	–	–	30	107
Carrying amount of the provision for Group's share of losses (Note 24)	(1,314)	(1,359)	–	–

Summarised statement of comprehensive income

	Bukit Timah Green Development Pte Ltd 2014	Bukit Timah Green Development Pte Ltd 2013	HLE Management Pte Ltd 2014	HLE Management Pte Ltd 2013
Revenue	89,516	12,177	3	66
Cost of sales	(86,599)	(10,691)	–	–
Gross profit	2,917	1,486	3	66
Other income	40	31	–	–
Operating expenses	(2,850)	(5,844)	(6)	(7)
Profit/(loss) before tax	107	(4,327)	(3)	59
Tax (expense)/credit	(18)	748	–	(2)
Profit/(loss) after tax and total comprehensive income	89	(3,579)	(3)	57

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14. INVESTMENT SECURITIES

	Group	
	2014	2013
	S$'000	S$'000
Non-current		
Held-to-maturity investments (quoted)	23,809	16,558
Available-for-sale financial assets		
Equity instruments (quoted)	1,252	989
	25,061	17,547
Current		
Held-to-maturity investments (quoted)	–	3,508
Financial assets at fair value through profit or loss		
Equity instruments (quoted)	2,710	2,989
	2,710	6,497

Held-to-maturity investment in corporate bonds were made for varying coupon rates ranging from 3.15% to 7.0% (2013: 3.15% to 6.0 %) per annum, with maturity dates ranging from 2016 to 2026.

15. CONTRACT WORK-IN-PROGRESS/(PROGRESS BILLINGS IN EXCESS OF WORK-IN-PROGRESS)

	Group	
	2014	2013
	S$'000	S$'000
Aggregate amount of costs incurred and recognised profits to date	882,113	770,350
Less: Progress billings	(881,139)	(824,323)
	974	(53,973)
Presented as:		
Contract work-in-progress	4,644	4,297
Progress billings in excess of work-in-progress	(3,670)	(58,270)
	974	(53,973)
Retention sums receivable on construction contracts included in trade receivables	9,371	16,309

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16. DEVELOPMENT PROPERTIES

	Group	
	2014	**2013**
	S$'000	S$'000
Completed properties, at cost	20,940	–
Properties under-construction:		
Cost incurred	52,580	157,874
	73,520	157,874

During the financial year, borrowing costs of S$623,000 (2013: S$850,000), arising from borrowings obtained specifically for the development properties were capitalised under "Development costs". The rates used to determine the amount of borrowing costs eligible for capitalisation ranges from 0.56% to 2.05% (2013: 0.56% to 2.03%) per annum, which are the effective interest rates of the specific borrowings.

The construction costs incurred for the development properties during the year amounted to S$58,534,000 (2013: S$41,845,000).

The amount recognised in costs of sales for the year in respect of completed properties is S$140,165,000 (2013: S$Nil).

The two leasehold land under development have been pledged as security for bank loans (Note 26).

List of development properties

Description and location	% owned	Site area (square metre)	Approximate saleable floor area (square metre)	Stage of completion as at date of annual report (expected year of completion)
Industrial property at Gambas Avenue	100%	21,427	49,046	100.0% (2014)
Industrial property at Kaki Bukit Avenue 6	100%	13,072	16,924	98.8% (2015)

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17. TRADE RECEIVABLES

	Group	
	2014	2013 (Restated)
	S$'000	S$'000
Trade receivables	45,029	18,065

Trade receivables

Trade receivables are non-interest bearing and are generally on 14-56 days' credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Receivables that are past due but not impaired

The Group has trade receivables amounting to S$32,000 (2013: S$176,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

	Group	
	2014	2013 (Restated)
	S$'000	S$'000
Trade receivables past due but not impaired:		
Lesser than 30 days	5	–
30 to 60 days	8	163
60 to 90 days	3	1
More than 90 days	16	12
	32	176

18. OTHER RECEIVABLES

	Group		Company	
	2014	2013	2014	2013
	S$'000	S$'000	S$'000	S$'000
Other debtors	909	366	–	–
Dividend receivable from a subsidiary company	–	–	37,800	10,080
Amount due from a subsidiary company	–	–	3,308	139
	909	366	41,108	10,219

Amount due from a subsidiary company is non-trade related, non-interest bearing, unsecured, repayable on demand and is to be settled in cash. The amount relates to payroll costs of staff seconded to the subsidiary company.

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19. PREPAYMENTS AND DEPOSITS

	Group	
	2014	2013 (Restated)
	S$'000	S$'000
Prepayments	9,132	563
Deposits	448	1,600
	9,580	2,163

20. CASH AND SHORT TERM DEPOSITS

	Group		Company	
	2014	2013 (Restated)	2014	2013
	S$'000	S$'000	S$'000	S$'000
Cash at banks and on hand	75,700	13,034	155	25
Short term deposits	89,838	89,744	25,336	24,799
Cash and short term deposits	165,538	102,778	25,491	24,824

Short term deposits are made for varying periods of between 1 week to 6 months depending on the immediate cash requirements of the Group and the Company, and earn interest at the respective short-term deposit rates. The average effective interest rates as at 31 December 2014 for the Group and the Company were 0.41% (2013: 0.2818%) per annum and 0.57% (2013: 0.54%) per annum respectively.

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the end of the reporting period:

	Group	
	2014	2013 (Restated)
	S$'000	S$'000
Cash at banks and on hand	75,700	13,034
Short term deposits	89,838	89,744
Cash and cash equivalents	165,538	102,778

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21. TRADE AND OTHER PAYABLES

	Group		Company	
	2014	2013 (Restated)	2014	2013
	S$'000	S$'000	S$'000	S$'000
Current				
Trade payables	3,133	5,853	7	–
Accrued operating expenses	49,832	47,379	3,295	376
Amount due to a subsidiary company	–	–	1,000	207
Deposits received	1,123	1,011	–	–
GST payables	6,784	340	17	9
Withholding tax	–	240	–	–
Other payables	446	33	–	1
	61,318	54,856	4,319	593
Non-current				
Deferred income	1,227	688	–	–
	1,227	688	–	–

Trade payables

Trade payables are non-interest bearing and are normally settled on 30-60 days' terms.

Amount due to a subsidiary company

Amount due to a subsidiary company is non-trade related, unsecured, non-interest bearing, repayable on demand and is to be settled in cash.

Other payables

Other payables are non-interest bearing and have an average term of 2 months, except for the deferred income which represented the unrealised loan interest income and management fee charged to a joint venture, Bukit Timah Green Development Pte Ltd, for its development property units that are unsold at year-end. The income are deferred and recognised upon sale of the development property units.

22. AMOUNTS DUE FROM/(TO) JOINT VENTURE PARTNERS

Amounts due from joint venture partner are trade related, unsecured, non-interest bearing are repayable upon demand.

Amounts due to joint venture partner are trade related, unsecured, non-interest bearing and are repayable upon demand.

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23. AMOUNTS DUE FROM A JOINT VENTURE

Amounts due from a joint venture are non-trade related, unsecured, bear interest at 2.50% (2013: 2.50%) per annum and are repayable upon demand, except for an amount of S$3,420,000 (2013: S$3,056,000) which is non-interest bearing.

24. PROVISIONS

	Provision for maintenance and warranties	Provision for share of a joint venture's losses	Total
	S$'000	S$'000	S$'000
At 1 January 2014	5,609	1,359	6,968
Utilised	(1,029)	–	(1,029)
Current year provision	39,884	–	39,884
Write-back	(402)	(45)	(447)
At 31 December 2014	44,062	1,314	45,376
At 1 January 2013	8,603	–	8,603
Utilised	(3,034)	–	(3,034)
Current year provision	673	1,359	2,032
Write-back	(633)	–	(633)
At 31 December 2013 (Restated)	5,609	1,359	6,968
Current 2014	44,062	1,314	45,376
Current 2013 (Restated)	5,609	1,359	6,968

Maintenance and warranties

The Group provides for maintenance and warranties claims on contracted items with customers after the substantial completion of projects. The amount of the provisions for maintenance and warranties are based on past experience of the level of maintenance and rectification work. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

During the financial year, based on the warranty claims experience, management concluded that the provision for maintenance and warranties exceeded the amount necessary to cover warranty claims on contract works. Accordingly, S$402,000 (2013: S$633,000) of the warranty provision has been reversed.

Share of a joint venture's losses

The Group provides for its share of losses in a joint venture, Bukit Timah Green Development Pte Ltd, in excess of its interest in the joint venture as the Group has given an undertaking to provide financial support for the joint venture to meet its liabilities as and when they fall due (Note 13).

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25. DEFERRED TAXATION

Deferred tax as at 31 December relates to the following:

	Group			
	Consolidated balance sheet		Consolidated income statement	
	2014	2013 (Restated)	2014	2013 (Restated)
	S$'000	S$'000	S$'000	S$'000
Deferred tax assets				
Provisions	7,544	975	(6,569)	515
Unutilised tax losses	415	146	(269)	(140)
	7,959	1,121		
Deferred tax liabilities				
Revaluation of investment properties to fair value	–	–	–	(293)
Excess of net carrying value of property, plant and equipment over tax written down value	(984)	(845)	139	(99)
	(984)	(845)		
	6,975	276		
Deferred income tax credit			(6,699)	(17)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority. The amounts determined after appropriate offsetting are included in the consolidated balance sheet as follows:

	Group	
	2014	2013 (Restated)
	S$'000	S$'000
Net deferred tax assets	6,978	279
Net deferred tax liabilities	(3)	(3)
	6,975	276

Tax consequences of proposed dividends

There are no income tax consequences (2013: S$Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 32).

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26. LOANS AND BORROWINGS

		Group	
	Maturity	2014	2013 (Restated)
		S$'000	S$'000
Current:			
Bank loans			
SGD loan	2015	4,992	–
Non-current:			
Bank loans			
SGD loan	2016	–	8,978
SGD loan	2015	–	27,948
		4,992	36,926

Bank loans

The bank loans are arranged at floating interest rate and are reset at intervals ranging from 1 month to 3 months based on changes to the banks' cost of funds. The weighted average interest rates in 2014 ranges from 1.7% to 2.1% (2013: 1.7% to 2.1%) per annum.

The bank loans are secured by charges over two subsidiary companies' development properties with a total carrying amount of S$73,520,000 (2013: S$157,874,000) at the end of the reporting period (Note 16).

27. SHARE CAPITAL

	Group and Company			
	2014	2014	2013	2013
	No. of shares		No. of shares	
	000	S$'000	000	S$'000
Issued and fully paid ordinary shares				
At 1 January and 31 December	509,979	58,956	509,979	58,956

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

28. CAPITAL RESERVE

Capital reserve records the costs of share-based payments, in the form of 4,000,000 shares transferred from the former shareholders to certain selected employees of the Group as consideration for their services received, which is measured by reference to the fair value of the shares at the grant date.

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29. FAIR VALUE ADJUSTMENT RESERVE

Fair value adjustment reserve records the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

	Group	
	2014	**2013**
	S$'000	S$'000
At 1 January	(12)	9
Net gain/(loss) on fair value changes of available-for-sale financial assets during the year	12	(21)
At 31 December	–	(12)

30. MERGER DEFICIT

The merger deficit records the difference between the purchase consideration and the share capital of a subsidiary company acquired from an entity under common control.

31. COMMITMENTS

(a) *Operating lease commitments – as lessee*

The Group has entered into commercial property leases for its office premises. The leases have tenures ranging from 6 months to 3 years (2013: 6 months to 3 years) with renewal option for 3 years included in the contract. The Group is restricted from subleasing the leased properties to third parties.

Future minimum rental payable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2014	**2013**
	S$'000	S$'000
Not later than one year	214	246
Later than one year but not later than five years	214	429
	428	675

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31. COMMITMENTS (CONT'D)

(b) Operating lease commitments – as lessor

The Group has entered into commercial property leases on its investment properties. These non-cancellable leases have remaining lease terms of one to two years, with renewal option for 3 years included in the contract.

Future minimum rental receivables under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2014	**2013**
	S$'000	S$'000
Not later than one year	8,469	10,623
Later than one year but not later than five years	–	1,169
	8,469	11,792

32. DIVIDENDS

	Group and Company	
	2014	**2013**
	S$'000	S$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
Final tax-exempt (one-tier) dividend for 2013: S$0.018 (2012: S$0.018) per share	9,180	9,180
Proposed but not recognised as a liability as at 31 December :		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
Final tax-exempt (one-tier) dividends for 2014: S$0.04 (2013: S$0.018) per share	20,399	9,180

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33. RELATED PARTY TRANSACTIONS

(a) Sales and purchase of services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group	
	2014	2013
	S$'000	S$'000
Rental paid to:		
- A company related to a Director	236	224
Sales of units at Ark@Gambas:		
- A company related to a Director	3,200	–

(b) Compensation of key management personnel

	Group	
	2014	2013
	S$'000	S$'000
Salaries and other remuneration	5,750	4,098
Defined contribution plans	203	111
Directors' fees	162	162
Total compensation paid to key management personnel	6,115	4,371
Comprise amounts paid to:		
- Directors of the Company	4,777	2,917
- Other key management personnel	1,338	1,454
	6,115	4,371

The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

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34. CONTINGENT LIABILITIES

The Company has provided financial guarantees to the banks in respect of the long term loans and borrowings of its subsidiary companies and a joint venture with a carrying amount of S$104,492,000 (2013: S$128,448,000) (Note 26). The fair value of such financial guarantees is not expected to be material as the loans and borrowings are collateralised against the Group's development properties. Accordingly, the fair value of the financial guarantees has not been recognised.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, credit risk, market price risk and liquidity risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. It is, and has been throughout the years under review, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from the Group's floating rate loans and borrowings, cash and short term deposits.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 100 (2013: 100) basis points higher/lower with all other variables held constant, the Group's profit net of tax would have been S$1,537,000 (2013: S$745,000) higher/lower, as a result of higher/lower interest income on cash and short term deposits, and the amount of interest capitalised as part of the Group's development properties as at 31 December 2014 would have been S$210,000 (2013: S$452,000) higher/lower, as a result of higher/lower interest expense on floating rate loans and borrowings.

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities and cash and short term deposits), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group trades only with recognised and creditworthy third parties or government authorities. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

As at the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets.

Since the Group trades only with recognised and creditworthy third parties or government authorities, there is no requirement for collateral.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and short term deposits and investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 17 (Trade receivables).

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Credit risk (cont'd)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group			
	2014		2013 (Restated)	
	S$'000	% of total	S$'000	% of total
By country:				
Singapore	45,029	100.0	18,065	100.0
By industry sector:				
Civil engineering	6,862	15.2	10,889	60.3
Properties development	38,109	84.6	7,111	39.4
Properties investment	58	0.2	65	0.3
	45,029	100.0	18,065	100.0

At the end of the reporting period, approximately:

- 15.2% (2013: 60.3%) of the Group's trade receivables were due from the government authorities or government linked entities who are located in Singapore.

- None of the Group's trade receivables were due from related parties.

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group has investment in quoted securities investment which is exposed to equity price risk. These investment are classified as fair value through profit or loss and available-for-sale financial assets. The Group does not have exposure to commodity price risk.

The Group's objective is to manage investment returns and equity price risk using a mix of investment grade shares with steady dividend yield and non-investment grade shares with higher volatility.

Sensitivity analysis for equity price risk

At the end of the reporting period, if the underlying quoted securities prices had been 1% (2013: 1%) higher/lower with all other variables held constant, the Group's profit before taxation would have been S$27,000 (2013: S$30,000) higher/lower, arising as a result of higher/lower fair value gains on quoted investment securities classified as fair value through profit or loss and the Group's other comprehensive income would have been S$13,000 (2013: S$10,000) higher/lower, arising as a result of an increase/decrease in the fair value of quoted investment securities classified as available-for-sale.

(d) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

To manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's and the Company's operations and mitigate the effect of fluctuations in cash flows.

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	2014				2013 (Restated)			
	One year or less	One to five years	Over five years	Total	One year or less	One to five years	Over five years	Total
Group	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Financial assets:								
Investment securities (non-current)	–	18,029	11,126	29,155	–	9,741	11,731	21,472
Investment securities (current)	2,710	–	–	2,710	6,497	–	–	6,497
Trade receivables	45,029	–	–	45,029	18,065	–	–	18,065
Other receivables	909	–	–	909	366	–	–	366
Amounts due from joint venture partners	87	–	–	87	764	–	–	764
Amounts due from a joint venture	53,230	–	–	53,230	51,544	–	–	51,544
Deposits	448	–	–	448	1,600	–	–	1,600
Cash and short term deposits	165,538	–	–	165,538	102,778	–	–	102,778
Total undiscounted financial assets	267,951	18,029	11,126	297,106	181,614	9,741	11,731	203,086
Financial liabilities:								
Trade and other payables (exclude GST payables)	(54,534)	–	–	(54,534)	(54,516)	–	–	(54,516)
Amounts due to joint venture partners	(109)	–	–	(109)	(680)	–	–	(680)
Loans and borrowings	(4,996)	–	–	(4,996)	–	(38,034)	–	(38,034)
Total undiscounted financial liabilities	(59,639)	–	–	(59,639)	(55,196)	(38,034)	–	(93,230)
Total net undiscounted financial assets/ (liabilities)	208,312	18,029	11,126	237,467	126,418	(28,293)	11,731	109,856

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(e) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

	2014	2013
	One year or less	One year or less
Company	S$'000	S$'000
Financial assets:		
Other receivables	41,108	10,219
Cash and short term deposits	25,491	24,824
Total undiscounted financial assets	66,599	35,043
Financial liabilities:		
Trade and other payables (exclude GST payable)	(4,302)	(584)
Total undiscounted financial liabilities	(4,302)	(584)
Total net undiscounted financial assets	62,297	34,459

The table below shows the contractual expiry by maturity of the Company's contingent liabilities. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantees could be called.

	2014			2013		
	One year or less	One to five years	Total	One year or less	One to five years	Total
Company	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Financial guarantees	4,992	99,500	104,492	–	128,448	128,448

36. FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

The Group categorises fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date;

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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36. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets measured at fair value at the end of the reporting period:

	Group 2014 Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
	S$'000	S$'000	S$'000	S$'000
Recurring fair value measurements				
Assets:				
Financial assets:				
Financial assets at fair value through profit or loss (Note 13)				
- Equity instruments (quoted)	2,710	–	–	2,710
Available-for-sale financial assets (Note 13)				
- Equity instruments (quoted)	1,252	–	–	1,252
Financial assets as at 31 December 2014	3,962	–	–	3,962
Non-financial assets:				
Investment properties (Note 10)				
- Office premises	–	1,650	–	1,650
- Workers' dormitory	–	–	2,700	2,700
Non-financial assets as at 31 December 2014	–	1,650	2,700	4,350

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36. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(b) Assets and liabilities measured at fair value (cont'd)

The following table shows an analysis of each class of assets measured at fair value at the end of the reporting period (cont'd):

	Group 2013			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
	S$'000	S$'000	S$'000	S$'000
Recurring fair value measurements				
Assets:				
Financial assets:				
Financial assets at fair value through profit or loss (Note 13)				
- Equity instruments (quoted)	2,989	–	–	2,989
Available-for-sale financial assets (Note 13)				
- Equity instruments (quoted)	989	–	–	989
Financial assets as at 31 December 2014	3,978	–	–	3,978
Non-financial assets:				
Investment properties (Note 10)				
- Office premises	–	1,650	–	1,650
- Workers' dormitory	–	–	7,000	7,000
Non-financial assets as at 31 December 2014	–	1,650	7,000	8,650

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

36. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D)

(c) Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets that are categorised within Level 2 of the fair value hierarchy:

Investment property (office premises)

The valuation of the office premises is based on comparable market transactions that consider sales of similar properties that have been transacted in the open market.

(d) Level 3 fair value measurements

<u>Information about significant unobservable inputs used in Level 3 fair value measurements</u>

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value at 31 December 2014	Valuation techniques	Unobservable inputs	Range (weighted average)
	S$'000			
Recurring fair value measurements				
Investment property:				
- Workers' dormitory	2,700	Discounted cash flow	Discount rate	Not applicable
			Rental rate per head	S$285 to S$315 (S$300)
			Occupancy rate	55% to 65% (60%)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

36. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D)

(d) Level 3 fair value measurements (cont'd)

Information about significant unobservable inputs used in Level 3 fair value measurements (cont'd)

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3) (cont'd):

Description	Fair value at 31 December 2013	Valuation techniques	Unobservable inputs	Range (weighted average)
	S$'000			
Recurring fair value measurements				
Investment property:				
- Workers' dormitory	7,000	Discounted cash flow	Discount rate	12.5% to 17.5% (15%)
			Rental rate per head	S$266 to S$294 (S$280)
			Occupancy rate	65% to 95% (80%)

For the workers' dormitory, a significant increase/decrease in discount rate and decrease/increase in rental and occupancy rate based on management's assumptions would result in a significantly lower/higher fair value measurement.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

36. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D)

(d) Level 3 fair value measurements (cont'd)

The following table shows the impact on the Level 3 fair value measurement of assets that are sensitive to changes in unobservable inputs that reflect reasonably possible alternative assumptions. The positive and negative effects are approximately the same.

	31 December 2014	
		Effect of reasonably possible alternative assumptions
	Carrying amount	Profit or loss
	S$'000	S$'000
Recurring fair value measurements		
Investment property:		
- Workers' dormitory	2,700	600

	31 December 2013	
		Effect of reasonably possible alternative assumptions
	Carrying amount	Profit or loss
	S$'000	S$'000
Recurring fair value measurements		
Investment property:		
- Workers' dormitory	7,000	1,231

In order to determine the effect of the above reasonably possible alternative assumptions, the Group adjusted the rental and occupancy rates based on management's assumptions by increasing and decreasing the adjustments by 5%, depending on the variation in market conditions.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

36. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D)

(d) Level 3 fair value measurements (cont'd)

Movement in Level 3 assets measured at fair value

	Group
	S$'000
Fair value measurements using significant unobservable inputs (Level 3)	
Investment property:	
- Workers' dormitory	
At 1 January 2014	7,000
Net loss from fair value adjustments recognised in profit or loss	(4,300)
At 31 December 2014	2,700
At 1 January 2013	10,030
Net loss from fair value adjustments recognised in profit or loss	(3,030)
At 31 December 2013	7,000

Valuation policies and procedures

The Group's Chief Financial Officer (CFO) oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures. In this regard, the CFO reports to the Group's ARMC.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts to perform the valuation. The CFO is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113. The Group had engaged an external valuer to provide a valuation for the investment properties in 2014.

Significant changes in fair value measurements from period to period are evaluated by the CFO for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

The CFO documents and reports its analysis and results of the external valuation to the ARMC at year-end. The ARMC performs a high-level independent review of the valuation process and results and recommends if any revisions need to be made before presenting the results to the Board of Directors for approval.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

36. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D)

(e) Assets and liabilities not carried at fair value for which fair value is disclosed

The following table shows an analysis of the Group's assets not measured at fair value as at 31 December 2014 but for which fair value is disclosed:

	Group 2014				
	Fair value measurements at the end of the reporting period using				
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total	Carrying amount
	S$'000	S$'000	S$'000	S$'000	S$'000
Assets:					
Held-to-maturity investments	23,070	–	–	23,070	23,809

	Group 2013				
	Fair value measurements at the end of the reporting period using				
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total	Carrying amount
	S$'000	S$'000	S$'000	S$'000	S$'000
Assets:					
Held-to-maturity investments	20,424	–	–	20,424	20,066

(f) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The fair values of the financial assets by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

	Group			
	2014		2013	
	Carrying value	Fair value	Carrying value	Fair value
	S$'000	S$'000	S$'000	S$'000
Financial assets:				
Held-to-maturity investments (Note 14)	23,809	23,070	20,066	20,424

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

37. FINANCIAL INSTRUMENTS BY CATEGORY

Set out below is the carrying amount of each of the categories of the Group's and the Company's financial instruments that are carried in the financial statements:

	Note	Loans and receivables	Financial assets at fair value through profit or loss	Available-for-sale	Held-to-maturity	Liabilities at amortised cost
		S$'000	S$'000	S$'000	S$'000	S$'000
Group						
At 31 December 2014						
Assets						
Investment securities (non-current)	14	–	–	1,252	23,809	–
Investment securities (current)	14	–	2,710	–		–
Trade receivables	17	45,029	–	–	–	–
Other receivables	18	909	–	–	–	–
Amounts due from joint venture partners	22	87	–	–	–	–
Amounts due from a joint venture	23	53,230	–	–	–	–
Deposits	19	448	–	–	–	–
Cash and short term deposits	20	165,538	–	–	–	–
Liabilities						
Trade and other payables (exclude GST payables)	21	–	–	–	–	54,534
Amounts due to joint venture partners	22	–	–	–	–	109
Loans and borrowings	27	–	–	–	–	4,992
		265,241	2,710	1,252	23,809	59,635

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

37. FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D)

	Note	Loans and receivables	Financial assets at fair value through profit or loss	Available-for-sale	Held-to-maturity	Liabilities at amortised cost
		S$'000	S$'000	S$'000	S$'000	S$'000
Group						
At 31 December 2013 (Restated)						
Assets						
Investment securities (non-current)	14	–	–	989	16,558	–
Investment securities (current)	14	–	2,989	–	3,508	–
Trade receivables	17	18,065	–	–	–	–
Other receivables	18	366	–	–	–	–
Amounts due from joint venture partners	22	764	–	–	–	–
Amounts due from a joint venture	23	51,544	–	–	–	–
Deposits	19	1,600	–	–	–	–
Cash and short term deposits	20	102,778	–	–	–	–
Liabilities						
Trade and other payables (exclude GST payables)	21	–	–	–	–	54,516
Amounts due to joint venture partners	22	–	–	–	–	680
Loans and borrowings	27	–	–	–	–	36,926
		175,117	2,989	989	20,066	92,122

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

37. FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D)

	Note	Loans and receivables	Liabilities at amortised cost
		S$'000	S$'000
Company			
At 31 December 2014			
Assets			
Other receivables	18	41,108	–
Cash and short term deposits	20	25,491	–
Liabilities			
Trade and other payables (exclude GST payable)	21	–	4,319
		66,599	4,319
At 31 December 2013			
Assets			
Other receivables	18	10,219	–
Cash and short term deposits	20	24,824	–
Liabilities			
Trade and other payables (exclude GST payable)	21	–	584
		35,043	584

38. CAPITAL MANAGEMENT

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustment to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 2013.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

38. CAPITAL MANAGEMENT (CONT'D)

The Group monitors its capital structure as follows:

	Note	Group 2014 S$'000	Group 2013 (Restated) S$'000
Loans and borrowings	26	4,992	36,926
Less: Cash and short term deposits	20	(165,538)	(102,778)
Net debt		(160,546)	(65,852)
Equity attributable to owners of the Company		205,364	141,912

The Group will continue to be guided by prudent financial policies of which gearing is an important aspect.

39. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

- Civil engineering: Infrastructure construction and civil engineering works for bridges, expressways, tunnels and other related infrastructure works.
- Properties development: Development of properties in the residential, commercial and industrial sectors.
- Properties investment: Investment properties held to earn rentals and/or for capital appreciation and others.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

The three operating segments are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who review the segment results every quarter for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit margins of the products and services. Corporate overheads, taxes and investment securities are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

39. SEGMENT INFORMATION (CONT'D)

	Civil engineering		Properties development		Properties investment		Adjustments		Note	Per consolidated financial statements	
	2014	2013 (Restated)	2014	2013 (Restated)	2014	2013 (Restated)	2014	2013 (Restated)		2014	2013 (Restated)
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000		S$'000	S$'000
Revenue:											
External customers	57,417	76,539	193,529	–	10,667	10,139		–		261,613	86,678
Inter-segment	56,026	43,925	–	–	–	–	(56,026)	(43,925)	A	–	–
Total revenue	113,443	120,464	193,529	–	10,667	10,139	(56,026)	(43,925)		261,613	86,678
Results:											
Depreciation	1,684	1,299	4	–	–	–	–	–		1,688	1,299
Fair value loss on investment properties	–	–	–	–	4,300	2,780	–	–		4,300	2,780
Dividend income from investment securities	–	–	–	–	–	–	101	74		101	74
Interest income	–	–	–	–	–	–	2,198	1,960		2,198	1,960
Segment profit/(loss)	39,230	32,672	51,728	(2,189)	3,101	4,295	(6,621)	(5,427)	B	87,438	29,351
Assets:											
Additions to non-current assets	2,383	1,330	–	–	–	–	–	–	C	2,383	1,330
Segment assets	134,270	124,836	224,797	220,203	5,713	8,715	34,779	24,430	D	399,559	378,184
Segment liabilities	106,401	111,850	65,306	118,077	320	321	22,203	6,026	E	194,195	236,273

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

39. SEGMENT INFORMATION (CONT'D)

Nature of adjustments to arrive at amounts reported in the consolidated financial statements

A. Inter-segment revenues are eliminated on consolidation.

B. The following items are added to/(deducted from) segment profit to arrive at "Profit before taxation" presented in the consolidated income statement:

	Group 2014	Group 2013 (Restated)
	S$'000	S$'000
Other income	2,627	1,201
Corporate overheads	(7,002)	(4,211)
Other operating costs	(538)	(198)
Profit from inter-segment sale	(1,708)	(2,219)
	(6,621)	(5,427)

C. Additions to non-current assets consist of additions to property, plant and equipment.

D. The following items are added to segment assets to arrive at total assets reported in the consolidated balance sheet:

	Group 2014	Group 2013 (Restated)
	S$'000	S$'000
Investment securities	27,771	24,044
Deferred tax assets	6,978	279
Investment in joint ventures	30	107
	34,779	24,430

E. The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

	Group 2014	Group 2013 (Restated)
	S$'000	S$'000
Provision for taxation	22,196	6,023
Deferred tax liabilities	3	3
Unadjusted intercompany balance	4	–
	22,203	6,026

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

39. SEGMENT INFORMATION (CONT'D)

Geographical information

The Group derives all of its revenues from external customers based in Singapore and its non-current assets are solely located in Singapore for the years ended 31 December 2014 and 2013.

Information about major customers

Revenue from one major customer amounted to S$50,185,000 (2013: S$75,351,000) for various civil engineering projects.

40. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Directors on 31 March 2015.

STATISTICS OF SHAREHOLDINGS

As at 23 March 2015

ISSUED AND FULLY PAID	:	S$58,955,522
NUMBER OF SHARES	:	509,978,991
CLASS OF SHARES	:	ORDINARY SHARES
VOTING RIGHTS		
– On a show of hands	:	ONE VOTE FOR EACH MEMBER
– On a poll	:	ONE VOTE FOR EACH ORDINARY SHARE HELD
NUMBER OF TREASURY SHARES	:	NIL

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	0	0	0	0.00
100 – 1,000	35	2.41	33,525	0.01
1,001 – 10,000	425	29.25	2,984,100	0.58
10,001 – 1,000,000	961	66.14	70,731,374	13.87
1,000,001 & ABOVE	32	2.20	436,229,992	85.54
TOTAL	1,453	100.00	509,978,991	100.00

TWENTY LARGEST SHAREHOLDERS	NO. OF SHARES	%
CHUA LEONG HAI @ CHUA LEANG HAI	193,871,547	38.02
ENG AH GOH	42,118,037	8.26
CHUA AIK KHOON (CAI YIQUN)	29,847,663	5.85
CHUA SIOK HONG	19,898,442	3.90
NEO KIM LIAN	17,908,598	3.51
PEH TIEW HOI OR CHUA YEN JOO (CAI YANRU)	12,874,292	2.52
CHUA HUA HONG	12,369,065	2.43
LIM PENG KIAT	10,224,221	2.01
CHUA BOE	9,478,236	1.86
NG SING	9,451,760	1.85
CHUA HUA LEONG	8,915,376	1.75
TAN AH CHON	7,243,032	1.42
CHUA HOO SAI OR TI POH CHOO	7,203,236	1.41
CHUA SEE	6,407,501	1.26
CHUA SIOK PENG (CAI SHUPING)	6,369,532	1.25
CHUA SIOK KHENG (CAI SHUQING)	5,969,532	1.17
CHUA TENG KOK	4,676,133	0.92
UOB KAY HIAN PTE LTD	4,251,200	0.83
PHILLIP SECURITIES PTE LTD	3,380,800	0.66
DBS NOMINEES PTE LTD	2,496,900	0.49
	414,955,103	81.37

Based on the information available to the Company as at 23 March 2015, approximately 33.3% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Limited is complied with.

SUBSTANTIAL SHAREHOLDERS	NO. OF SHARES	%	NO. OF SHARES Deemed Interest	%
CHUA LEONG HAI @ CHUA LEANG HAI *	193,871,547	38.02	42,118,037	8.26
ENG AH GOH *	42,118,037	8.26	193,871,547	38.02
CHUA AIK KHOON (CAI YIQUN)	29,847,663	5.85	-	-

* Eng Ah Goh is the spouse of Chua Leong Hai and they are deemed to be interested in the shares held by each other.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **HOCK LIAN SENG HOLDINGS LIMITED** (the "**Company**") will be held at Hotel Re! @ Pearl's Hill, Level 2, Re! Union, 175A Chin Swee Road, Singapore 169879 on Tuesday, 28 April 2015 at 9.30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company and the Group for the financial year ended 31 December 2014 together with the Auditors' Report thereon.

   (Resolution 1)

2. To re-elect the following Directors of the Company who is retiring pursuant to Article 97 of the Articles of Association of the Company:-

   (i) Mr Kee Guan Chua **(Resolution 2)**
   (ii) Mr Khor Poh Hwa **(Resolution 3)**

   [See Explanatory Note (i)]

3. To re-elect the following Directors of the Company who is retiring pursuant to Article 101 of the Articles of Association of the Company:-

   (i) Mr Chua Sey Kok **(Resolution 4)**
   (ii) Mr Chew Tuan Dong **(Resolution 5)**

   [See Explanatory Note (ii)]

4. To re-appoint the following directors retiring pursuant to Section 153(6) of the Companies Act, Chapter. 50, who is over 70 years of age, to hold office from the date of this Annual General Meeting until the next Annual General Meeting of the Company:-

   (i) Mr Chua Leong Hai **(Resolution 6)**
   (ii) Mr Koh Lian Huat **(Resolution 7)**

   [See Explanatory Note (iii)]

6. To declare a first and final dividend (tax exempt one-tier) of 4.0 Singapore cents per ordinary share for the financial year ended 31 December 2014.

   (Resolution 8)

7. To approve the payment of Directors' fees of S$162,000 for the financial year ended 31 December 2014 for payment (FY2013: S$162,000).

   (Resolution 9)

8. To re-appoint Messrs Ernst & Young LLP, Public Accountants and Chartered Accountants, as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.

   (Resolution 10)

9. To transact any other ordinary business which may properly transacted at an Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

10. **Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited**

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

(A) (i) issue shares in the Company ("**shares**") whether by way of rights, bonus or otherwise;

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares;

(iii) issue additional Instrument arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalization issues;

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(B) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares pursuant to any Instrument made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued pursuant to the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;
(b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and
(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the rules, guidelines and measures issued by the SGX-ST for the time being inforce (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) unless revoked or varied by the Company in General Meeting, the authority conferred by this Resolution shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

[See Explanatory Note (iv)] **(Resolution 11)**

NOTICE OF ANNUAL GENERAL MEETING

11. Authority to (i) offer and grant options and to issue shares pursuant to the HLS Employee Share Option Scheme; and (ii) offer and grant awards and to issue shares pursuant to the HLS Performance Share Plan.

"that approval be and is hereby given to the Directors to:

(i) Offer and grant options in accordance with the provisions of the HLS Employee share Option Scheme (the "**Scheme**") and to allot and issue from time to time, such number of shares as may be required to be issued pursuant to the exercise of options under the Scheme; and

(ii) Offer and grant awards in accordance with the provisions of the HLS Performance Share Plan (the "**Plan**") and to allot and issue from time to time such number of shares as may be required to be issued pursuant to the release of awards under the Plan.

Provided always that the aggregate number of shares to be issued pursuant to the Scheme and the Plan shall not exceed 15% of the total number of issues shares (excluding treasury shares) in the capital of the Company at any time."

[See Explanatory Note (v)] **(Resolution 12)**

By Order of the Board

CHEW KOK LIANG
Company Secretary
Singapore, 13 April 2015

Explanatory Notes:

(i) Mr Kee Guan Chua will, upon re-election, be considered an Executive Director.

Mr Khor Poh Hwa will, upon re-election, be considered an Independent Director and will remain as a Chairman of Nominating and Board Safety Committee, and a member of both the Audit and Risk Management and Remuneration Committees.

(ii) Mr Chua Sey Kok will, upon re-election, be considered an Executive Director.

Mr Chew Tuan Dong will, upon re-election, be considered an Executive Director.

(iii) The effect of the Ordinary Resolutions 6 and 7 above, are to re-appoint directors of the Company who are over 70 years of age.

Mr Chua Leong Hai will, upon re-appointment as a Director of the Company, be considered non-independent and will remain as the CEO and a member of the Nominating Committee.

Mr Koh Lian Huat will, upon re-appointment as a Director of the Company, will be considered an independent non-executive director and will remain as the Lead Independent Director, the Chairman of the Audit and Risk Management Committee and a member of the Nominating, Remuneration and Board Safety Committees.

(iv) Resolution 11 above, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro rata basis to existing shareholders of the Company.

NOTICE OF ANNUAL GENERAL MEETING

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(v) Resolution 12, if passed, will empower the Directors to issue shares up to an amount in aggregate not exceeding 15% of the issued share capital (excluding treasury shares) of the company pursuant to the HLS Share Option Scheme (the "**Scheme**") and the HLS Performance Share Plan (the "**Plan**") which was approved at the Extraordinary General Meeting of the Company on 1 December 2009. A copy of the respective Rules of the Scheme and of the Plan is available for inspection by shareholders during normal office hours at the Company's Registered Office.

Notes:

1. A Member entitled to attend and vote at the AGM (the "**Meeting**") is entitled to appoint not more than two proxies to attend and vote in his/her stead. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. A proxy need not be a Member of the Company.

2. It the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

3. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 80 Marine Parade Road #21-08, Parkway Parade, Singapore 449269 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

HOCK LIAN SENG HOLDINGS LIMITED

(Company Registration No. 200908903E)
(Incorporated In the Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:
1. For investors who have used their CPF monies to buy **HOCK LIAN SENG HOLDINGS LIMITED**'s shares, this Annual Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Annual General Meeting as an observer have to submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We ____________________________ NRIC/Passport No ____________________

of ____

being a member/members of **HOCK LIAN SENG HOLDINGS LIMITED** (the "**Company**"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, the Chairman of the Meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held at Hotel Re! @ Pearl's Hill, Level 2, Re!Union, 175A Chin Swee Road, Singapore 169879 on Tuesday, 28 April 2015 at 9.30 a.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	Resolutions relating to:	For	Against
	Ordinary Business		
1	Directors' Report and Audited Accounts for the financial year ended 31 December 2014		
2	Re-election of Mr Kee Guan Chua as a Director under Article 97		
3	Re-election of Mr Khor Poh Hwa as a Director under Article 97		
4	Re-election of Mr Chua Sey Kok as a Director under Article 101		
5	Re-election of Mr Chew Tuan Dong as a Director under Article 101		
6	Re-appointment of Mr Chua Leong Hai as a Director pursuant to Section 153(6) of the Companies Act, Cap 50		
7	Re-appointment of Mr Koh Lian Huat as a Director pursuant to Section 153(6) of the Companies Act, Cap 50		
8	Declaration of First and Final Dividend		
9	Approval of Directors' fees amounting to S$162,000 for the financial year ended 31 December 2014		
10	Re-appointment of Messrs Ernst & Young LLP as Auditors and to authorise the Directors of the Company to fix their remuneration		
	Special Business		
11	Authority to allot and issue shares and convertible securities		
12	Authority to offer and grant options/awards and to issue shares pursuant to the HLS Share Option Scheme and HLS Performance Share Plan		

Dated this ________ day of ________________ 2015

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

**Delete where inapplicable*

Notes :

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 80 Marine Parade Road #21-08 Parkway Parade, Singapore 449269 not less than forty-eight (48) hours before the time appointed for the Meeting.

Affix postage stamp here

HOCK LIAN SENG HOLDINGS LIMITED

80 MARINE PARADE ROAD

#21-08 PARKWAY PARADE

SINGAPORE 449269

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 April 2015.

Designed and produced by
novus
NOVUS DESIGN (65) 6270 8012

HOCK LIAN SENG HOLDINGS LIMITED
Company Registration No.: 200908903E

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