

**Hock Lian Seng Holdings Limited**

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 Company Registration Number 200908903E

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

PART I : Information required for announcement of Half Year Result

1(a)(i) An income statement and statement of comprehensive income or a statement of comprehensive income (for the group), together with comparative statements for the corresponding period of the immediately preceding financial year.

	Group		Change
	First half ended	30.06.2017	
	30.06.2018	30.06.2017	
	Restated		
	\$'000	\$'000	%
Revenue	94,748	46,237	104.9%
Cost of sales	(88,208)	(42,819)	106.0%
Gross profit	6,540	3,418	91.3%
Other income	1,730	1,846	-6.3%
Distribution and selling costs	(10)	-	n.m.
Administrative costs	(2,940)	(2,387)	23.2%
Changes in fair value of investment securities	-	56	n.m.
Impairment loss on investment securities	(250)	-	n.m.
Other operating costs	(119)	(163)	-27.0%
Share of results of joint venture, net of tax	(27)	(11)	145.5%
Profit before taxation	4,924	2,759	78.5%
Tax expenses	(504)	(404)	24.8%
Profit after taxation	4,420	2,355	87.7%
Attributable to:			
Equity holders of the Company	4,420	2,355	87.7%

n.m. : - not meaningful



Consolidated statement of comprehensive income

	Group	
	First half ended	
	30.06.2018	30.06.2017
		Restated
	\$'000	\$'000
Profit after taxation	4,420	2,355
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
- net change in fair value	(183)	221
Cash flow hedge	-	(242)
- net change in fair value		
Other comprehensive income	(183)	(21)
Total comprehensive income	4,237	2,334
Attributable to:		
Equity holders of the Company	4,237	2,334

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

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

	Group	
	Half year ended	
	30.06.2018	30.06.2017
	\$'000	\$'000
Depreciation of property, plant and equipment	2,646	1,715
Loss/(gain) on foreign exchange	(337)	25
Loss/(gain) on disposal of property, plant and equipment	(181)	(187)
Impairment loss on investment securities	250	-
Interest income	(1,030)	(1,394)
Dividend income from investment securities	(37)	(18)
Fair value changes on investment securities	-	(56)



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

	Group			Company	
	30.06.2018	31.12.2017	1.1.2017	30.06.2018	31.12.2017
	\$'000	Restated \$'000	Restated \$'000	\$'000	\$'000
Non-current assets					
Property, plant and equipment	36,524	35,049	15,629	-	-
Subsidiary companies	-	-	-	37,814	37,814
Investment in joint venture	776	1,303	15,313	-	-
Investment properties	2,900	2,900	3,100	-	-
Investment securities	23,545	23,013	26,765	-	-
Deferred tax assets	934	1,597	3,802	-	-
	64,679	63,862	64,609	37,814	37,814
Current assets					
Development properties	103,961	99,725	71,904	-	-
Contract assets	18,972	9,821	7,694	-	-
Trade receivables	16,922	19,457	13,661	-	-
Other receivables	36,452	1,432	429	56,620	49,258
Amounts due from a joint venture	81	72	157	-	-
Prepayments and deposits	2,679	2,718	1,427	-	-
Investment securities	6,588	9,330	4,460	-	-
Cash and short term deposits	89,224	132,081	205,984	2,518	5,245
	274,879	274,636	305,716	59,138	54,503
Current liabilities					
Trade and other payables	69,652	62,860	50,322	318	474
Loans and borrowings	14,090	-	13	-	-
Amounts due to joint venture partners	6	71	9	-	-
Advance payment received for construction project	5,277	5,277	-	-	-
Contract liabilities	39,861	40,422	32,203	-	-
Progress billings to customers	2,804	1,566	455	-	-
Provisions	12,525	13,058	26,797	-	-
Provision for taxation	1,215	2,190	1,562	118	138
	145,430	125,444	111,361	436	612
Net current assets	129,449	149,192	194,355	58,702	53,891
Non-current liabilities					
Loans and borrowings	-	15,090	15,490	-	-
Deferred income	146	-	-	-	-
	146	15,090	15,490	-	-
Net assets	193,982	197,964	243,474	96,516	91,705
Equity					
Share capital	59,954	58,956	58,956	59,954	58,956
Capital reserve	1,000	1,000	1,000	-	-
Fair value reserve	357	540	177	-	-
Accumulated profits	148,910	153,707	199,580	36,562	32,749
Merger deficit	(16,239)	(16,239)	(16,239)	-	-
Total equity	193,982	197,964	243,474	96,516	91,705



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

Amount repayable in one year or less, or on demand

As at 30 June 2018		As at 31 December 2017	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
14,090	-	-	-

Amount repayable after one year

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

Details of collateral:

As at 30 June 2018, the Group's secured borrowings of \$14,090,000 was reclassified as current liabilities as the project financing for the development at Tuas is due for payment by February 2019.



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

	< -----Group----- >	
	Half year ended	
	30.06.2018	30.06.2017
	Restated	
	\$'000	\$'000
Cash flows from operating activities		
Profit before taxation	4,924	2,759
Adjustments :		
Depreciation of property, plant and equipment	2,646	1,715
Loss/(gain) on disposal of property, plant and equipment	(181)	(187)
Impairment loss on investment securities	250	-
Fair value changes on investment securities	-	(56)
Share of results of joint venture	27	11
Interest income	(1,030)	(1,394)
Share-based compensation expenses	998	-
Unrealised exchange (gain)/loss	(337)	25
Dividend income from investment securities	(37)	(18)
Operating cash flows before working capital changes	7,260	2,855
(Increase)/decrease in:		
Contract assets	(9,151)	(1,367)
Development properties	(4,236)	(19,314)
Trade receivables	2,535	8,846
Other receivables	(35,421)	(501)
Prepayments and deposits	39	(1,866)
Increase/(decrease) in:		
Trade and other payables and provisions	6,258	(2,091)
Progress billings to customers	1,238	-
Contract liabilities	(561)	8,600
Deferred income	146	-
Cash flows (used in) / generated from operations	(31,893)	(4,838)
Interest received	709	1,069
Income tax paid	(815)	(601)
Net cash flows (used in) / generated from operating activities	(31,999)	(4,370)
Cash flows from investing activities		
Purchases of property, plant and equipment	(4,209)	(13,818)
Dividend income received from joint venture	500	12,500
Decrease/(increase) in amount due from a joint venture partner (net)	(69)	4,820
Decrease/((increase) in amounts due from joint ventures	(5)	(5,004)
Purchases of investment securities	(3,007)	(3,130)
Proceeds from disposal of property, plant and equipment	269	210
Proceeds from maturity/redemption of investment securities	4,775	1,500
Interest received from investment securities	731	729
Dividend income received from investment securities	37	18
Net cash flows (used in) / generated from investing activities	(978)	(2,175)
Cash flows from financing activities		
Dividend paid	(9,217)	(63,747)
Decrease in fixed deposits, pledged	-	-
Repayment of bank loans	(1,000)	-
Repayment of obligations under finance lease	-	(13)
Net cash flows used in financing activities	(10,217)	(63,760)
Net increase/(decrease) in cash and cash equivalents	(43,194)	(70,305)
Effect of exchange differences on cash and cash equivalents	337	(25)
Cash and cash equivalents, Beginning balance	132,081	205,984
Cash and cash equivalents, Ending balance	89,224	135,679



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

Statement of changes in equity

Group

	Share capital	Capital reserve	Accumulated profits	Fair value adjustment reserve	Merger deficit	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2018	58,956	1,000	157,160	540	(16,239)	201,417
Impact from adoption of FRS115	-	-	(3,453)	-	-	(3,453)
1 January 2018 Restated	58,956	1,000	153,707	540	(16,239)	197,964
Total comprehensive income	-	-	4,420	(183)	-	4,237
Dividend on ordinary shares	-	-	(9,217)	-	-	(9,217)
Share-based payment	998	-	-	-	-	998
At 30 June 2018	59,954	1,000	148,910	357	(16,239)	193,982
At 1 January 2017	58,956	1,000	201,130	177	(16,239)	245,024
Impact from adoption of FRS 115	-	-	(1,550)	-	-	(1,550)
1 January 2017 Restated	58,956	1,000	199,580	177	(16,239)	243,474
Total comprehensive income	-	-	2,355	(21)	-	2,334
Dividend on ordinary shares	-	-	(63,747)	-	-	(63,747)
At 30 June 2017	58,956	1,000	138,188	156	(16,239)	182,061

Company

	Share capital	Accumulated profits	Total Equity
	\$'000	\$'000	\$'000
At 1 January 2018	58,956	32,749	91,705
Cost of share-based payment	998	-	998
Total comprehensive income	-	13,030	13,030
Dividend on ordinary shares	-	(9,217)	(9,217)
At 30 June 2018	59,954	36,562	96,516
At 1 January 2017	58,956	76,974	135,930
Total comprehensive income	-	11,198	11,198
Dividend on ordinary shares	-	(63,747)	(63,747)
At 30 June 2017	58,956	24,425	83,381



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

Issued and paid up capital

As at beginning of financial year

Issue of shares pursuant HLS Performance Share Plan

As at end of financial period

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

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

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

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

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

Not applicable.

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

Not applicable.

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

The figures have not been audited or reviewed.

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

Not applicable.



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

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

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

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

The Group has adopted SFRS(I)s on 1 January 2018 and has prepared its first set of financial information under SFRS(I) for the quarter ended 31 March 2018. The new framework will have no material impact on the financial statements in the year of application except as follows:

SFRS(I) 15 Revenue from Contracts with Customers

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

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

Group	30.06.2017	Adjustment	30.06.2017
	FRS		Restated SFRS(I)
Income statement			
	\$'000	\$'000	\$'000
Sales	51,164	(4,927)	46,237
Cost of sales	(47,561)	4,742	(42,819)
Gross profit	3,603	(185)	3,418
Profit before taxation	2,944	(185)	2,759
Tax expenses	(435)	31	(404)
Profit after taxation	2,509	(154)	2,355
Group	31.12.2017	Adjustment	31.12.2017
	FRS		Restated SFRS(I)
Balance Sheet			
	\$'000	\$'000	\$'000
<u>Assets</u>			
Deferred tax asset	967	630	1,597
Contract work-in-progress*	9,989	(168)	9,821
<u>Liabilities</u>			
Progress billings in excess of work-in-progress #	36,507	3,915	40,422
<u>Equity</u>			
Accumulated profits	157,160	(3,453)	153,707

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

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



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

Earnings per share ("EPS")

	< ----- Group ----- > 6 months ended 30.6.2018	30.6.2017 Restated
Earnings attributable to equity holders of the Company (\$'000)	4,420	2,355
Weighted average number of ordinary shares used in computation of basic and fully diluted EPS	511,047,361	509,978,991
Basic EPS attributable to equity holders of the Company (cents)	0.86	0.46
Fully diluted EPS attributable to equity holders of the Company (cents)	0.86	0.46

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

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

Net asset value ("NAV")

	Group As at		Company As at	
	30.6.2018	31.12.2017 Restated	30.6.2018	31.12.2017
NAV per ordinary share (cents)	37.9	38.8	18.8	18.0
Number of shares used in computation of NAV per share	512,103,991	509,978,991	512,103,991	509,978,991



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

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

6 months 2018 compared with 6 months 2017 Performance and segmental review

Revenue

In \$' million	6M 2018	%	6M 2017 Restated	%
Civil Engineering	94.5	99.8	46.1	99.8
Property Development	-	-	-	-
Investment Properties	0.2	0.2	0.1	0.2
	94.7	100.0	46.2	100.0

Revenue increased by 105% to \$94.7 million, contributed mainly from the much higher construction activities for the Joint Venture Changi Airport project. No contribution from the Property Development and the revenue from Investment property segment remained insignificant.

Gross Profit

In \$' million	6M 2018	6M 2017 Restated
Civil Engineering	6.4	3.4
Property Development	-	-
Investment Properties	0.1	-
	6.5	3.4

Gross profit increased by \$3.1 million (91%) to \$6.5 million mainly due to the higher revenue, however, gross margin was lower for the current financial period.

Administrative expenses was \$2.9 million, about 23% higher than same period last year mainly due to the share of litigation expenses for the on-going arbitration hearing for the Jalan Gali Batu Deport joint venture project which amounted to about \$420,000.

Other income reduced by \$116,000 (-6%), as the interest income was \$400,000 lower, offset by the foreign exchange gain of about \$300,000 recognized for the USD holdings.

Impairment loss on investment securities of \$250,000 was relating to default payment of a fixed rate bond due for redemption.

The share of expenses was related to the administrative cost incurred for a joint venture.

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

Profit before taxation increased by \$2.2 million to \$4.9 million, resulting mainly from the higher revenue, offset by the higher administration cost and impairment in investment securities.



Financial position and cash flow review

The main movements are:

- Increase in property, plant & equipment was related the additional construction cost incurred for the central workshop for the group which is due for completion by end of 2018.
- Decrease in investment securities (total of current and non-current) by \$2.2 million, was mainly due to the \$4.8 million redemption of the bonds, offset by the \$3.0 million new bonds investment and \$0.2 million impairment loss.
- Increase in development properties by \$4.0 million mainly due to the additional construction cost incurred for the Tuas development project (Shine@TuasSouth).
- Increase in contract asset mainly due to the June progress billing pending for certification.
- Increase in other receivable was mainly due to the advance payment relating to the Mattar Road site which the land sale is scheduled to complete in August and advance payment to subcontractors for material purchased.
- Bank's borrowing of \$14.1 million was reclassified as current liability as the loan is due for repayment by Feb 2019.
- Net decrease of cash and short term deposits of \$43 million for the current financial period was mainly due to down payment and stamp duty for the Mattar Road site which amount to about \$30 million, payment of dividend of \$9.2 million and other advance payment of material on behalf of subcontractors.

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

The current announced results are in line with the general prospect commentary previously disclosed to shareholders in the results announcement for the financial period ended 31 March 2018.

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

As at 30 June 2018, the Group's order book for on-going projects of civil engineering segment was approximately \$736 million (based on new revenue, SFRS(I)15, recognition standard) for the Maxwell station, the two Changi Airport projects and Stabling at Gali Batu Depot.

The Group's industrial development property at Tuas (Shine@Tuas South) has obtain TOP on 1 August 2018.

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

11. Dividend

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

Nil.

(b) Corresponding Period of the immediately Preceding Financial year

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

Nil.



(c) Date payable

Not applicable.

(d) Books closure date

Not applicable

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

No interim dividend for the financial period ended 30 June 2018 is recommended.

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

There is no IPT to be report for the current financial period. There is no general mandate from shareholders for IPTs.

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

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

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

The Directors of the Company confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial results for the period ended 30 June 2018 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

CHUA LEONG HAI

Executive Director and CEO
2 August 2018