Hock Lian Seng Holdings Limited

80 Marine Parade Road
#21-08 Parkway Parade
Singapore 449269
Tel: (65) 6344 0555 Fax: (65) 6440 9049

Company Registration Number 20090890E

FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2014

PART I : Information required for announcement of Quarterly Result

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

	Group		
	First quarter ended		Change
	31.03.2014	31.03.2013 **Restated***	
	$'000	$'000	%
Revenue	19,944	28,378	-29.7%
Cost of sales	(15,613)	(22,124)	-29.4%
Gross profit	4,331	6,254	-30.7%
Other income	816	395	106.6%
Distribution and selling costs	(51)	(630)	-91.9%
Administrative costs	(1,228)	(1,004)	22.3%
Changes in fair value of investment properties	(900)	(861)	4.5%
Changes in fair value of investment securities	(188)	70	n.m.
Other operating costs	(28)	(26)	7.7%
Share of results of jointly controlled entities	189	(17)	n.m.
Profit before taxation	2,941	4,181	-29.7%
Tax expenses	(586)	(909)	-35.5%
Profit after taxation	2,355	3,272	-28.0%
Attributable to:			
Equity holders of the Company	2,355	3,272	-28.0%

n.m. : - not meaningful

**The 2013 comparative figure have been restated to take into account the retrospective adjustments arising from adoption of revised FRS28 – Investments in Associates and Joint Ventures , FRS111 – Joint Arrangements as detailed in Section 5 of this announcement.*

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Consolidated statement of comprehensive income

	Group	
	First quarter ended	
	31.03.2014	31.03.2013 **Restated**
	$'000	$'000
Profit after taxation	2,355	3,272
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
- Net (loss)/gain on fair value changes	10	(5)
Other comprehensive income	10	(5)
Total comprehensive income	2,365	3,267
Attributable to:		
Equity holders of the Company	2,365	3,267

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

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

	Group	
	First quarter ended	
	31.03.2014	31.03.2013
	$'000	$'000
Depreciation of property, plant and equipment	336	319
Gain on disposal of property, plant and equipment	(15)	(41)
Interest income	(513)	(219)
Treasury notes early redemption fee	(180)	-
Fair value changes on investment properties	900	861
Fair value changes on investment securities	187	(70)

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

	Group			Company	
	31.03.2014	31.12.2013 **Restated**	31.12.2012 **Restated**	31.03.2014	31.12.2013
	$'000	$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	7,253	7,253	7,388	-	-
Subsidiary companies	-	-	-	36,814	36,814
Investment in jointly controlled entities	107	107	509		
Investment properties	7,750	8,650	11,430	-	-
Investment securities (non-current)	18,305	17,547	19,084	-	-
Deferred tax assets	212	279	273	-	-
	33,627	**33,836**	**38,684**	**36,814**	**36,814**
Current assets					
Development properties	174,892	157,874	115,144	-	-
Contract work-in-progress	297	4,297	5,241	-	-
Trade receivables	15,983	18,065	16,369	-	-
Other receivables	411	366	260	10,300	10,219
Amounts due from joint venture partners	191	764	294	-	-
Amounts due from jointly contolled entity	51,962	51,544	40,440		
Prepayments and deposits	858	2,163	739	-	-
Investment securities (current)	4,304	6,497	3,856	-	-
Cash and short term deposits	116,148	102,778	111,561	24,572	24,824
	365,046	344,348	293,904	34,872	35,043
Current liabilities					
Trade and other payables	54,538	54,856	58,363	366	593
Amounts due to joint venture partners	192	680	152	-	-
Progress billings in excess of work-in-progress	60,640	58,270	63,241	-	-
Progress billings to customers	88,385	71,858	16,308	-	-
Provisions	6,444	6,968	8,603	-	-
Provision for taxation	6,539	6,023	5,099	22	19
	216,738	198,655	151,766	388	612
Net current assets	**148,308**	**145,693**	**142,138**	**34,484**	**34,431**
Non-current liabilities					
Long term bank loans	36,941	36,926	53,468	-	-
Deffered Income	688	688	131		
Deferred tax liabilities	6	3	8	-	-
	37,635	**37,617**	**53,607**	**-**	**-**
Net assets	**144,988**	**141,912**	**127,215**	**71,298**	**71,245**
Equity					
Share capital	58,956	58,956	58,956	58,956	58,956
Capital reserve	1,000	1,000	1,000	-	-
Fair value adjustment reserve	(2)	(12)	9	-	-
Accumulated profits	100,562	98,207	83,489	12,342	12,289
Merger deficit	(16,239)	(16,239)	(16,239)	-	-
Total equity	**144,277**	**141,912**	**127,215**	**71,298**	**71,245**

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

Amount repayable in one year or less, or on demand

As at 31 March 2014		As at 31 December 2013**(Restated)**	
Secured ($'000)	Unsecured ($'000)	Secured ($'000)	Unsecured ($'000)
-	-	-	-

Amount repayable after one year

As at 31 March 2014		As at 31 December 2013**(Restated)**	
Secured ($'000)	Unsecured ($'000)	Secured ($'000)	Unsecured ($'000)
36,941	-	36,926	-

Details of collateral:

As at 31 March 2014, the Group's non-current secured borrowings of $36.9 million was relate to property development projects, which was secured over the development properties.

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

	< ------------Group----------- >	
	First quarter ended	
	31.03.2014	31.03.2013
		Restated
Cash flows from operating activities	$'000	$'000
Profit before taxation	2,941	4,181
Adjustments :		
Depreciation of property, plant and equipment	336	319
Gain on disposal of property, plant and equipment	(15)	(41)
Fair value changes on investment properties	900	861
Fair value changes on investment securities	187	(70)
Interest income	(513)	(219)
Operating cash flows before working capital changes	3,836	5,031
(Increase)/decrease in:		
Contract work-in-progress	4,000	(1)
Development properties	(17,018)	(5,283)
Trade receivables	2,082	5,987
Other receivables	(46)	220
Prepayments and deposits	1,305	524
Increase/(decrease) in:		
Trade and other payables and provisions	(842)	(627)
Progress billings to customers	16,527	14,654
Progress billings in excess of work-in-progress	2,370	6,107
Cash flows generated from/(used in) operations	12,214	26,612
Interest received	434	225
Income tax paid	-	95
Net cash flows generated from/(used in) operating activities	12,648	26,932
Cash flows from investing activities		
Purchases of property, plant and equipment	(313)	(237)
Amount due from a joint venture partner (net)	85	62
Amount due from jointly controlled entities	(418)	(1,230)
Share of results of jointly controlled entities	-	17
Purchases of investment securities (Held-to-maturity)	(750)	(750)
Proceeds from disposal of property, plant and equipment	15	112
Proceeds from maturity of investment securities(Held-to-maturity)	2,000	791
Interest received from investment securities (Held-to-maturity)	88	
Dividend income received from investment securities	-	-
Net cash flows used in investing activities	707	(1,235)
Cash flows from financing activities		
Proceeds from bank loans	15	-
Repayment of obligations under finance lease	-	(6,985)
Net cash flows (used in)/generated from financing activities	15	(6,985)
Net decrease in cash and cash equivalents	13,370	18,712
Cash and cash equivalents, Beginning Balance	102,778	111,561
Cash and cash equivalents, Ending Balance	116,148	130,273

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

Statement of changes in equity

Group

	Share capital	Capital reserve	Accumulated profits	Fair value adjustment reserve	Merger deficit	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2014	58,956	1,000	98,207	(12)	(16,239)	141,912
Total comprehensive income	-	-	2,355	10	-	2,365
Dividend on ordinary shares	-	-	-	-	-	-
At 31 March 2014	58,956	1,000	100,562	(2)	(16,239)	144,277
	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2013	58,956	1,000	83,489	9	(16,239)	127,215
Total comprehensive income	-	-	3,272	(5)	-	3,267
Dividend on ordinary shares	-	-	-	-	-	-
At 31 March 2013	58,956	1,000	86,761	4	(16,239)	130,482

Company

	Share capital	Accumulated profits	Total Equity
	$'000	$'000	$'000
At 1 January 2014	58,956	12,289	71,245
Total comprehensive income	-	53	53
Dividend on ordinary shares	-	-	-
At 31 March 2014	58,956	12,342	71,298
At 1 January 2013	58,956	11,137	70,093
Total comprehensive income	-	30	30
Dividend on ordinary shares	-	-	-
At 31 March 2013	58,956	11,167	70,123

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

	Number of shares	Issued and paid-up capital ($)
Issued and fully paid shares as at 31 December 2013 and at 31 March 2014	509,978,991	58,955,522

There were no changes in the Company's share capital for the financial period ended 31 March 2014.

There were no outstanding treasury shares as at 31 March 2014.

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

	As at 31 March 2014	As at 31 December 2013
Total number of issued shares (excluding treasury shares)	509,978,991	509,978,991

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

Not applicable.

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

The figures have not been audited or reviewed.

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

Not applicable.

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

Other than as mentioned in section 5 regarding the adoption of new and revised Financial Reporting Standards (FRS), there were no further changes in accounting policies and methods of computation adopted in the financial statements of the current reporting period as compared to the most recently audited annual financial statements as at 31 December 2013.

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

The Group has adopted all the applicable new/revised Financial Reporting Standards (FRS) that become effective for accounting periods beginning 1 January 2014. The adoption of these new/revised FRS did not result in any significant impact to the financial statements of the Group, except for the revised FRS28 –Investments in Associates and Joint Ventures and FRS111 "Joint Arrangements". The Group's investments in Bukit Timah Green Development Pte Ltd and HLE Management Pte Ltd is accounted for using the equity method with effect from Jan 2014.

This change of accounting policy was applied retrospectively and the effects on the comparatives arising from the adoption of new FRS111, subject to year-end audit , are as follows:

	Increase/ (Decrease)
	3 months ended 31.03.2013
Group	
Income statement	
	$'000
Sales	(12)
Administrative costs	(28)
Share of results of joint ventures	(17)
Profit before taxation	(1)

Group	**Increase/ (Decrease)**	
Balance Sheet	31.12.2013	31.12.2012
	$'000	$'000
<u>Assets</u>		
Investmetn in Jointly controlled entities	107	509
Deferred tax asset	(374)	-
Development Properties	(138,905)	(125,989)
Trade receivable	(2,278)	-
Other receivable	(1)	-
Amount due form joint venture partners	(25,786)	(20,224)
Amount due from Jointly controlled entity	51,544	40,440
Prepayments and deposits	(31)	
Cash and short term deposits	(4,902)	(257)
<u>Liabilities</u>		
Trade and other payables	(5,655)	(223)
Amount due to joint venture partners	(25,494)	(20,220)
Provisions	1,359	-
Provision for taxation	(2)	(2)
Long term bank loan	(91,522)	(85,207)
Deferred income	688	131

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

Earning per share ("EPS")

	< ------------ Group ------------ >	
	3 months ended	
	31.3.2014	31.3.2013
Earnings attributable to equity holders of the Company (S$'000)	2,355	3,272
Weighted average number of ordinary shares used in computation of basic and fully diluted EPS	509,978,991	509,978,991
Basic EPS attributable to equity holders of the Company (cents)	0.46	0.64
Fully diluted EPS attributable to equity holders of the Company (cents)	0.46	0.64

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

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

Net asset value ("NAV")

	Group		Company	
	As at		As at	
	31.3.2014	31.12.2013	31.3.2014	31.12.2013
NAV per ordinary share (cents)	28.3	27.8	14.0	14.0
Number of shares used in computation of NAV per share	509,978,991	509,978,991	509,978,991	509,978,991

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

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

3 months 2014 compared with 3 months 2013 Performance and segmental review

Revenue

In $' million	3M 2014	%	3M 2013	%
Civil Engineering	17.3	86.9	25.9	91.2
Investment Properties	2.6	13.1	2.5	8.8
	19.9	100.0	28.4	100.0

Revenue decreased by $8.5 million (29.7%) to $19.9 million for the financial periods ended 31 March 2014, mainly due to the lower progress billing recognized for the Marina Coastal Expressway project for the current financial period.

The revenue from workers dormitory business was marginally higher by $0.1 million to $2.6 million.

Gross Profit

In $' million	3M 2014	3M 2013
Civil Engineering	2.5	4.4
Building Material	-	-
Domitory	1.8	1.8
	4.3	6.2

Gross profit reduced by $2.0 million (30.7%) to $4.3 million for the current financial period in line with the lower turnover of the Civil Engineering segment. The gross profit for workers dormitory remained stable.

Other income increased by $0.4 million to $0.8 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 much lower in view of the lower marketing cost incurred for the financial period for the two industrial development projects, namely Ark@Gambas and Ark@KB.

The decrease in the fair value of investment properties was related to the impairment of the workers dormitory. The workers dormitory is stated at fair value determined on the discounted cash flow method estimated by management, the fair value is expected to be $0.7 million lower with the projection of cash inflow reduced over the lease period.

The fair value of the investments in securities was adjusted downward by $0.2 million in accordance to the market price of the quoted shares market value as at end of 31 March 2014.

With the revised FRS 28 and FRS 111, the Joint venture project for the Dairy Farm Project, the Skywoods, is accounted with equity method, and the share of the result for the current financial period was $0.2 million.

Profit before taxation decreased by $0.9 million to $2.4 million, resulting mainly from the lower revenue and gross profit and lower selling cost of the development properties.

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Financial Position Review

Non-current assets for the financial period ended 31 March 2014 was $0.2 million lower mainly due to the decrease in the fair value of the worker dormitory of $0.9 million, offset the increase in the held –to- maturies security of $0.8 million.

The Group's current assets increased by $20.7 million to $365.0 million. This was mainly due to the additional construction costs of $17.0 million incurred for the developments projects and higher cash balance of $13.3 million.

The Group's current liabilities increased by $18.0 million to $216.7 million. This was mainly due to the higher advance payment received for the development projects of $16.5 million and higher progress billings in excess of work-in-progress of $2.3 million.

The Group's non-current bank borrowings remained stable at $36.9 million.

Cash Flow Review

As at 31 March 2014, the Group had cash and cash equivalent of $116.1 million, increased by $13.3 million for the current financial period. The additional cash was mainly generated from the operating activities of $12.6 million and the net inflow of $0.7 million from the investing activities , the redemption of the held-to-maturity securities.

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 full year ended 31 December 2014.

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

As at 31 March 2014, the Group's order book for on-going projects of civil engineering segment was approximately $131 million for the Changi Airport project, the balance of work for Jalan Gali Batu Depot and Marina Coastal Expressway projects. The construction of the Group's two industrial development properties, namely, Ark@Gambas and Ark@KB, are undertaken by own construction arm. The total contracts values of the 2 projects amounted to about $96 million. The Group was awarded a $221.8 million project from LTA for or the construction of Maxwell station for the Thompson MRT line in April 2014. The new project will commence in 2nd quarter of 2014.

The construction of the two industrial property developments are expected to be completed by early 2015. The joint venture residential project at Dairy Farm Road was launched in September 2013.

With the strong balance sheet and cash flow position, the management will continue to tender for infrastructure projects competitively and explore other business opportunities in property related segment to enhance the shareholders' value.

11. Dividend

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

Nil.

(b) Corresponding Period of the immediately Preceding Financial year

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

Nil.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable

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

No interim dividend for the financial period ended 31 March 2014 is recommended.

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

There is no general mandate from shareholders for IPTs.

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
Office lease expenses paid to Lian Seng Investment Pte Ltd	$'000 70	$'000 Nil

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14. Update on use of IPO proceeds

The Company was admitted to the Official List of the SGX-ST on 21 December 2009 and raised a net proceeds of $25.6 million. As at the date of this report, the Group has utilized the net proceeds as follows:

The allocation of each principal intended use of proceeds is set out below:

Intended Use	Amount allocated $'000	Amount utilized $'000	Balance $'000
Acquisition of central workshop	4,000	-	4,000
Acquisition of equipment and machinery	8,000	4,003	3,997
Working capital	13,600	13,600	-
Total	25,600	17,603	7,997

The Company will continue to make periodic announcement via SGXNET on the utilization of the balance of the proceeds from the IPO as and when such proceeds are materially disbursed.

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

The Directors of the Company confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial results for the period ended 31 March 2014 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

CHUA LEONG HAI
Executive Director and CEO

7 May 2014