

**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 HALF YEAR ENDED 30 JUNE 2015

PART I : Information required for announcement of Quarterly Result**1(a)(i) An income statement and statement of comprehensive income or a statement of comprehensive income (for the group), together with comparative statements for the corresponding period of the immediately preceding financial year.**

	Group		Change
	Half year ended 30.06.2015	30.06.2014	
	\$'000	\$'000	%
Revenue	125,283	28,542	338.9%
Cost of sales	(97,273)	(20,529)	373.8%
Gross profit	28,010	8,013	249.6%
Other income	1,428	1,402	1.9%
Distribution and selling costs	(987)	(75)	1216.0%
Administrative costs	(3,329)	(2,123)	56.8%
Changes in fair value of investment properties	(1,800)	(1,800)	-
Changes in fair value of investment securities	(139)	(268)	-48.1%
Other operating costs	(114)	(64)	78.1%
Share of results of joint venture	1,991	(43)	nm
Profit before taxation	25,060	5,042	397.0%
Tax expenses	(4,139)	(1,411)	193.3%
Profit after taxation	20,921	3,631	476.1%
Attributable to:			
Equity holders of the Company	20,921	3,631	476.1%

n.m. : - not meaningful

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Consolidated statement of comprehensive income

	Group	
	Half year ended	
	30.06.2015	30.06.2014
	\$'000	\$'000
Profit after taxation	20,921	3,631
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
- net change in fair value	3	26
Other comprehensive income	3	26
Total comprehensive income	20,924	3,657
Attributable to:		
Equity holders of the Company	20,924	3,657

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	
	30.06.2015	30.06.2014
	\$'000	\$'000
Depreciation of property, plant and equipment	899	664
Gain on disposal of property, plant and equipment	(123)	(15)
Interest income	(1,151)	(1,003)
Treasury notes early redemption fee	-	(180)
Dividend income from investment securities	(30)	(20)
Fair value changes on investment properties	1,800	1,800
Fair value changes on investment securities	139	268



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

	Group		Company	
	30.06.2015	31.12.2014	30.06.2015	31.12.2014
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	10,777	7,893	-	-
Subsidiary companies	-	-	37,814	37,814
Investment in joint ventures	677	30	-	-
Investment properties	2,550	4,350	-	-
Investment securities (non-current)	22,311	25,061	-	-
Deferred tax assets	6,677	6,978	-	-
	42,992	44,312	37,814	37,814
Current assets				
Development properties	43,620	73,520	-	-
Contract work-in-progress	6,150	4,644	-	-
Trade receivables	20,592	45,029	-	-
Other receivables	2,229	909	432	41,108
Amounts due from a joint venture partner	77	87	-	-
Amounts due from a joint venture	56,583	53,230	-	-
Prepayments and deposits	720	9,580	-	-
Investment securities (current)	8,074	2,710	-	-
Cash and short term deposits	162,351	165,538	41,565	25,491
	300,396	355,247	41,997	66,599
Current liabilities				
Trade and other payables	51,195	61,318	185	4,319
Loans and borrowings	49	4,992	-	-
Amounts due to a joint venture partner	102	109	-	-
Advance payment received for construction project	3,697	8,318	-	-
Progress billings in excess of work-in-progress	6,915	3,670	-	-
Progress billings to customers	44	46,986	-	-
Provisions	43,568	45,376	-	-
Provision for taxation	14,915	22,196	9	12
	120,485	192,965	194	4,331
Net current assets	179,911	162,282	41,803	62,268
Non-current liabilities				
Loans and borrowings	15,528	-	-	-
Deferred income	1,483	1,227	-	-
Deferred tax liabilities	2	3	-	-
	17,013	1,230	-	-
Net assets	205,890	205,364	79,617	100,082
Equity				
Share capital	58,956	58,956	58,956	58,956
Capital reserve	1,000	1,000	-	-
Fair value adjustment reserve	3	-	-	-
Accumulated profits	162,170	161,647	20,661	41,126
Merger deficit	(16,239)	(16,239)	-	-
Total equity	205,890	205,364	79,617	100,082



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

Amount repayable in one year or less, or on demand

As at 30 June 2015		As at 31 December 2014	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
49	-	4,992	-

Amount repayable after one year

As at 30 June 2015		As at 31 December 2014	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
15,528	-	-	-

Details of collateral:

As at 30 June 2015, the Group's non-current secured borrowings of \$15,490,000 relate to property development project, which was secured over the development site at Tuas.

The other secured borrowings of \$87,000 (current: \$49,000 and non current :\$38,000) relate to hire purchase creditor secured by way of rights to the leased asset under the agreement.

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

	< -----Group----- >	
	Half year ended	
	30.06.2015	30.06.2014
Cash flows from operating activities	\$'000	\$'000
Profit before taxation	25,060	5,042
Adjustments :		
Depreciation of property, plant and equipment	899	664
Gain on disposal of property, plant and equipment	(123)	(15)
Fair value changes on investment properties	1,800	1,800
Fair value changes on investment securities	139	268
Share of results of joint venture	(1,991)	43
Interest income	(1,151)	(1,003)
Dividend income from investment securities	(30)	(20)
	<u>24,603</u>	<u>6,779</u>
Operating cash flows before working capital changes		
(Increase)/decrease in:		
Contract work-in-progress	(1,505)	3,452
Development properties	29,900	(35,542)
Trade receivables	24,437	5,441
Other receivables	(1,419)	174
Prepayments and deposits	8,860	959
Increase/(decrease) in:		
Trade and other payables and provisions	(10,612)	(2,455)
Progress billings to customers	(46,942)	49,561
Progress billings in excess of work-in-progress	3,245	(2,264)
Advance payments received for construction project	(4,621)	11,090
	<u>25,946</u>	<u>37,195</u>
Cash flows generated from operations		
Interest received	587	856
Income tax paid	(11,121)	(2,686)
	<u>15,412</u>	<u>35,365</u>
Net cash flows generated from operating activities		
Cash flows from investing activities		
Purchases of property, plant and equipment	(3,835)	(335)
Amount due from a joint venture partner (net)	4	124
Amount due from joint ventures	(3,001)	(838)
Purchases of investment securities (Held-to-maturity)	(2,754)	(2,506)
Proceeds from disposal of property, plant and equipment	175	15
Proceeds from maturity of investment securities(Held-to-maturity)	-	3,000
Interest received from investment securities (Held-to-maturity)	595	159
Dividend income received from investment securities	30	20
	<u>(8,786)</u>	<u>(361)</u>
Net cash flows used in investing activities		
Cash flows from financing activities		
Dividend paid	(20,399)	(9,180)
Repayment of bank loans	(4,992)	(2,000)
Proceeds from bank loans	15,578	-
	<u>(9,813)</u>	<u>(11,180)</u>
Net cash flows (used in)/generated from financing activities		
Net increase /(decrease) in cash and cash equivalents	(3,187)	23,824
Cash and cash equivalents, Beginning Balance	<u>165,538</u>	<u>102,778</u>
Cash and cash equivalents, Ending Balance	<u><u>162,351</u></u>	<u><u>126,602</u></u>

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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 2015	58,956	1,000	161,648	-	(16,239)	205,365
Total comprehensive income	-	-	20,921	3	-	20,924
Dividend on ordinary shares	-	-	(20,399)	-	-	(20,399)
At 30 June 2015	58,956	1,000	162,170	3	(16,239)	205,890
At 1 January 2014	58,956	1,000	98,207	(12)	(16,239)	141,912
Total comprehensive income	-	-	3,631	26	-	3,657
Dividend on ordinary shares	-	-	(9,180)	-	-	(9,180)
At 30 June 2014	58,956	1,000	92,658	14	(16,239)	136,389

Company

	Share capital	Accumulated profits	Total equity
	\$'000	\$'000	\$'000
At 1 January 2015	58,956	41,125	100,081
Total comprehensive income	-	(65)	(65)
Dividend on ordinary shares	-	(20,399)	(20,399)
At 30 June 2015	58,956	20,661	79,617
At 1 January 2014	58,956	12,289	71,245
Total comprehensive income	-	37	37
Dividend on ordinary shares	-	(9,180)	(9,180)
At 30 June 2014	58,956	3,146	62,102



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

	Number of shares	Issued and paid-up capital (\$)
Issued and fully paid shares as at 31 December 2014 and at 30 June 2015	<u>509,978,991</u>	<u>58,955,522</u>

There were no changes in the Company's share capital for the financial period ended 30 June 2015.

There were no outstanding treasury shares as at 30 June 2015.

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 2015	As at 31 December 2014
Total number of issued shares (excluding treasury shares)	<u>509,978,991</u>	<u>509,978,991</u>

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

Not applicable.

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

The figures have not been audited or reviewed.

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

Not applicable.

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

The Group and the Company have applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those in its audited financial statements for FY2014.

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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 2015. The adoption of these new/revised FRS did not result in any change in the Group's accounting policies or any significant impact on the financial statements.

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

Earning per share ("EPS")

	< ----- Group ----- > Half year ended	
	30.6.2015	30.6.2014
Earnings attributable to equity holders of the Company (\$'000)	20,922	3,631
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)	4.10	0.7
Fully diluted EPS attributable to equity holders of the Company (cents)	4.10	0.7

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	
	30.6.2015	31.12.2014	30.6.2015	31.12.2014
NAV per ordinary share (cents)	40.4	40.3	15.6	19.6
Number of shares used in computation of NAV per share	509,978,991	509,978,991	509,978,991	509,978,991



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8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**
- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 - (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

6 months 2015 compared with 6 months 2014 Performance and segmental review

Revenue

In \$' million	6M 2015	%	6M 2014	%
Civil Engineering	33.5	26.7	23.2	81.4
Property Development	86.6	69.2	-	-
Investment Properties	5.2	4.1	5.3	18.6
	125.3	100.0	28.5	100.0

Revenue increased by \$96.7 million (339%) to \$125.3 million for the half year ended 30 June 2015, mainly due to the recognition of revenue from the industrial development property project, Ark@KB in 1Q 2015 and additional units sold for Ark@Gambas. The civil engineering segment revenue was \$10.2 million (44%) higher as progress of the Maxwell station and Airport projects has picked up in the recent months.

The revenue from Investment property segment was mainly rental income from workers' dormitory, which remained stable at \$5.2 million.

Gross Profit

In \$' million	6M 2015	6M 2014
Civil Engineering	3.0	4.4
Property Development	21.3	-
Investment Properties	3.7	3.6
	28.0	8.0

Gross profit increased by \$20.0 million (250%) to \$28.0 million for the current reporting period mainly due to the recognition of the Ark@KB project. The gross profit for civil engineering segment was \$1.4 million (32%) lower, due to the lower margin for the on hand projects. The gross profit for workers dormitory remained stable.

Other income was \$1.4 million which was similar to the same period last year, as the higher interest income of \$0.2 million has offset the one time bond early redemption fee of \$0.2 million received in 2014.

Distribution cost of about \$1.0 million was mainly relate to the sales commission incurred for the two Industrial development projects.

Administrative expenses was \$1.4 million (57%) higher than the same period last year mainly due to the higher performance bonus accrued, higher staff costs and additional legal fee incurred in view of the completion of the industrial development projects.

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 based on the discounted cash flow method and the fair value is expected to be \$1.8 million lower with the projection of cash inflow reduced over the lease period. The lease is expiring at end of 2015.



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The share of result of joint venture was \$2.0 million, compared to a loss of \$43,000 recorded for the first half of 2014. This was mainly due to the improved sales and further progress in the construction stages for the Skywoods project. The construction of the project is about 75% completed and 65% sold as end of June 2015. This private residential project is recognized by percentage of completion method.

Profit before taxation increased by \$20.1 million to \$25.1 million, resulting mainly from the recognition of the Ark@KB project and better result from the Joint Venture in the residential development project.

Financial position and cash flow review

The main movements are:

- Increase in property, plant and equipment of 2.9 million, was mainly due to the acquisition of a unit of workshop at Ark@KB and various plant and equipments to meet the requirement of the infrastructure projects.
- Decrease in investment property by \$1.8 million was due to the fair value adjustment to the worker dormitory.
- Increase in investment securities (total of current and non-current) by \$2.8 million, was mainly due to the acquisition of the held-to-maturity securities. About \$5.6 million treasury notes were reclassified to current assets as they are due to mature by June 2016.
- Decrease in development properties by \$29.9 million mainly due to the cost recognition for Ark@Kb offset by the addition of Tuas site acquisition.
- Decrease in progress billing to customers was due to the sales recognition for Ark@KB.
- Decrease in trade receivables by \$24.4 million mainly due to the progress billings in December 2014 for Ark@Gambas, there was no similar billing in June 2015.
- Decrease in Prepayment and deposits by \$8.9 million was mainly due to the transfer of down payment for Tuas site to development properties upon completion of land acquisition.
- Lower advance payment received for construction project was for the Maxwell station project as it was progressively repaid with the project progress billings.
- The short term bank loan of \$5.0 million as at end of December 2014 for Ark@Gambas was fully repaid and the Long term bank loan of \$15.5 million relates to the land loan for Tuas site. The remaining borrowings of \$0.1 million relates to the hire purchase creditor.
- Net decrease of cash and short term deposits of \$3.2 million for the half year ended 30 June 2015 was mainly due to the dividend payment of \$20.4 million and repayment of bank loans of \$5 million, additional \$3.0 million loan to Joint Venture company for the funding for the marketing cost of The Skywoods and about \$6.6 million outflow for investment in held-to-maturity securities and acquisition of plant and equipment, offset by the cash generated from operating activities arising from TOP of Ark@KB of \$15.7 million and proceeds from bank loan of \$15.6 million for the Tuas site.

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

The current announced results are in line with the general prospect commentary previously disclosed to shareholders in the results announcement [for the first quarter ended 31 March 2015](#).



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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 2015, the Group's order book for on-going projects of civil engineering segment was approximately \$430 million for the Maxwell station, Changi Airport project, Stabling at Gali Batu Depot and balance of work for Jalan Gali Batu Depot. The construction of the Group's new industrial development property at Tuas would be undertaken by own construction arm which is expected to commence in 2nd half 2015.

The acquisition of the Tuas site was completed in Jan 2015, a 5.5-storey multi-user ramp-up industrial building is to be developed on the site.

The construction of The Skywoods, a 50% joint venture residential project, is targeted to complete by 2016. The sales of units is on-going. 281 units were sold out of the 420 total development units as at end June 2015.

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 2015 is recommended.

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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	\$'000 107	\$'000 Nil

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	1,400 ⁽¹⁾	1,400	-
Acquisition of equipment and machinery	8,000	8,000	-
Working capital	16,200 ⁽²⁾	16,200	-
Total	25,600	25,600	-

The Company has fully utilized the proceeds from the IPO as at 30 June 2015.

Note (1) : The amount allocated for acquisition of central workshop was revised to \$1.4 million as announced on 29 June 2015.

Note (2) : The amount allocated for working capital was revised to \$16.2 million as announced on 29 June 2015. The working capital payments relates to purchase of supplies and procurement of services from subcontractors.

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 2015 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

CHUA LEONG HAI
 Executive Director and CEO

5 August 2015