

**Hock Lian Seng Holdings Limited**

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Company Registration Number 200908903E

**FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT FOR THE FINANCIAL YEAR
ENDED 31 DECEMBER 2016**

PART I : Information required for announcement of Full 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		
	Financial year ended		Change
	31.12.2016	31.12.2015	
	\$'000	\$'000	%
Revenue	118,138	174,762	-32.4%
Cost of sales	(87,873)	(136,012)	-35.4%
Gross profit	30,265	38,750	-21.9%
Other income	4,847	4,174	16.1%
Distribution and selling costs	(88)	(265)	-66.8%
Administrative costs	(5,361)	(6,179)	-13.2%
Changes in fair value of investment properties	(250)	(2,381)	-89.5%
Changes in fair value of investment securities	(131)	535	nm
Impairment loss on investment securities	(250)	-	nm
Other operating costs	(249)	(255)	-2.4%
Share of results of joint venture, net of tax	11,548	8,012	44.1%
Profit before taxation	40,331	42,391	-4.9%
Tax expenses	(4,399)	(5,691)	-22.7%
Profit after taxation	35,932	36,700	-2.1%
Attributable to:			
Equity holders of the Company	35,932	36,700	-2.1%

n.m. : - not meaningful



Consolidated statement of comprehensive income

	Group	
	Financial year ended	
	31.12.2016	31.12.2015
	\$'000	\$'000
Profit after taxation	35,932	36,700
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
- net change in fair value	218	(41)
Other comprehensive income	218	(41)
Total comprehensive income	36,150	36,659
Attributable to:		
Equity holders of the Company	36,150	36,659

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

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

	Group	
	Financial year ended	
	31.12.2016	31.12.2015
	\$'000	\$'000
Depreciation of property, plant and equipment	2,355	1,905
Loss/(gain) on disposal of property, plant and equipment	6	(134)
Gain on disposal of investment securities	(45)	-
Impairment loss on investment securities	250	-
Allowance for doubtful receivables	35	-
Interest income	(4,319)	(3,496)
Dividend income from investment securities	(130)	(93)
Fair value changes on investment properties	250	2,381
Write back of provisions for maintenance and warranties	(15,062)	(923)
Fair value changes on investment securities	131	(535)



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	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	15,629	8,902	-	-
Subsidiary companies	-	-	37,814	37,814
Investment in joint venture	15,313	5,265	-	-
Investment properties	3,100	3,350	-	-
Investment securities (non-current)	26,765	24,482	-	-
Deferred tax assets	3,520	6,897	-	-
	64,327	48,896	37,814	37,814
Current assets				
Development properties	71,904	46,710	-	-
Contract work-in-progress	7,708	12,103	-	-
Trade receivables	13,661	6,435	-	-
Other receivables	1,041	764	56,469	11,439
Amounts due from a joint venture partner	-	43	-	-
Amounts due from a joint venture	1,357	60,457	-	-
Prepayments and deposits	1,427	432	-	-
Investment securities (current)	4,460	8,747	-	-
Cash and short term deposits	205,984	156,907	42,285	57,350
	307,542	292,598	98,754	68,789
Current liabilities				
Trade and other payables	50,934	50,827	508	1,491
Loans and borrowings	13	51	-	-
Amounts due to a joint venture partner	1,209	38	-	-
Progress billings in excess of work-in-progress	30,385	1,828	-	-
Progress billings to customers	455	-	-	-
Provisions	26,797	45,388	-	-
Provision for taxation	1,562	6,235	130	33
	111,355	104,367	638	1,524
Net current assets	196,187	188,231	98,116	67,265
Non-current liabilities				
Loans and borrowings	15,490	15,503	-	-
	15,490	15,503	-	-
Net assets	245,024	221,624	135,930	105,079
Equity				
Share capital	58,956	58,956	58,956	58,956
Capital reserve	1,000	1,000	-	-
Fair value adjustment reserve	177	(41)	-	-
Accumulated profits	201,130	177,948	76,974	46,123
Merger deficit	(16,239)	(16,239)	-	-
Total equity	245,024	221,624	135,930	105,079



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 December 2016		As at 31 December 2015	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
13	-	51	-

Amount repayable after one year

As at 31 December 2016		As at 31 December 2015	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
15,490	-	15,503	-

Details of collateral:

As at 31 December 2016, the Group's non-current secured borrowings of \$15,490,000 was obtained for the purpose of a property development project, which was secured over the development site at Tuas.

The current secured borrowings of \$13,000 relate to hire purchase creditor secured by way of rights to the leased asset under the agreement.



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----- >	
	Financial year ended	
	31.12.2016	31.12.2015
	\$'000	\$'000
Cash flows from operating activities		
Profit before taxation	40,331	42,391
Adjustments :		
Depreciation of property, plant and equipment	2,355	1,905
Allowance for doubtful receivables	35	34
Loss/(gain) on disposal of property, plant and equipment	6	(134)
Impairment loss on investment securities	250	-
Fair value changes on investment properties	250	2,381
Fair value changes on investment securities	131	(535)
Gain on disposal of investment securities	(45)	-
Share of results of joint venture	(11,548)	(8,012)
Interest income	(4,319)	(3,496)
Interest expense	2	3
Dividend income from investment securities	(130)	(93)
	<u>27,318</u>	<u>34,444</u>
Operating cash flows before working capital changes		
(Increase)/decrease in:		
Contract work-in-progress	4,395	(5,407)
Development properties	(25,194)	25,429
Trade receivables	(7,261)	35,946
Other receivables	(281)	198
Prepayments and deposits	(995)	9,148
Increase/(decrease) in:		
Trade and other payables and provisions	(18,484)	(9,161)
Progress billings to customers	455	(46,986)
Progress billings in excess of work-in-progress	28,557	(1,280)
Advance payments received for construction project	-	(8,318)
	<u>8,510</u>	<u>34,013</u>
Cash flows generated from operations		
Interest received	2,807	1,175
Income tax paid	(5,695)	(21,573)
	<u>5,622</u>	<u>13,615</u>
Net cash flows generated from operating activities		
Cash flows from investing activities		
Purchases of property, plant and equipment	(9,108)	(2,895)
Dividend income received from joint venture	1,500	-
Decrease/(increase) in amount due from a joint venture partner (net)	1,220	(27)
Decrease/(increase) in amounts due from joint ventures	59,094	(6,014)
Return of capital from a joint venture	-	25
Purchases of investment securities (Held-to-maturity)	(5,815)	(4,974)
Purchases of investment securities (Fair value through profit or loss)	-	-
Proceeds from disposal of property, plant and equipment	20	215
Proceeds from maturity of investment securities	5,750	-
Proceeds from disposal of investment securities	1,950	-
Interest received from investment securities	1,517	1,271
Dividend income received from investment securities	130	93
	<u>56,258</u>	<u>(12,306)</u>
Net cash flows generated from/(used in) investing activities		
Cash flows from financing activities		
Dividend paid	(12,750)	(20,399)
Repayment of bank loans	-	(4,992)
Proceeds from bank loans	-	15,490
Repayment of obligations under finance lease	(53)	(39)
	<u>(12,803)</u>	<u>(9,940)</u>
Net cash flows used in financing activities		
Net increase/(decrease) in cash and cash equivalents	49,077	(8,631)
Cash and cash equivalents, Beginning balance	156,907	165,538
	<u>205,984</u>	<u>156,907</u>
Cash and cash equivalents, Ending balance		



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 2016	58,956	1,000	177,948	(41)	(16,239)	221,624
Total comprehensive income	-	-	35,932	218	-	36,150
Dividend on ordinary shares	-	-	(12,750)	-	-	(12,750)
At 31 December 2016	58,956	1,000	201,130	177	(16,239)	245,024
At 1 January 2015	58,956	1,000	161,647	-	(16,239)	205,364
Total comprehensive income	-	-	36,700	(41)	-	36,659
Dividend on ordinary shares	-	-	(20,399)	-	-	(20,399)
At 31 December 2015	58,956	1,000	177,948	(41)	(16,239)	221,624

Company

	Share capital	Accumulated profits	Total Equity
	\$'000	\$'000	\$'000
At 1 January 2016	58,956	46,123	105,079
Total comprehensive income	-	43,601	43,601
Dividend on ordinary shares	-	(12,750)	(12,750)
At 31 December 2016	58,956	76,974	135,930
At 1 January 2015	58,956	41,125	100,081
Total comprehensive income	-	25,396	25,396
Dividend on ordinary shares	-	(20,399)	(20,399)
At 31 December 2015	58,956	46,123	105,079



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 2015 and at 31 December 2016	<u>509,978,991</u>	<u>58,955,522</u>

There were no changes in the Company's share capital for the financial year ended 31 December 2016.

There were no outstanding treasury shares as at 31 December 2016.

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.

	31 December 2016	As at 31 December 2015
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 FY2015.



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 2016. 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 ----- > Financial year ended	
	31.12.2016	31.12.2015
Earnings attributable to equity holders of the Company (\$'000)	35,932	36,700
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)	7.05	7.2
Fully diluted EPS attributable to equity holders of the Company (cents)	7.05	7.2

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	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
NAV per ordinary share (cents)	48.0	43.5	26.7	20.6
Number of shares used in computation of NAV per share	509,978,991	509,978,991	509,978,991	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.

FY 2016 compared with FY2015 Performance and segmental review

Revenue

\$' million	FY 2016	%	FY 2015	%
Civil Engineering	117.5	99.5	77.4	44.3
Property Development	0.4	0.3	89.5	51.2
Investment Properties	0.2	0.2	7.9	4.5
	118.1	100.0	174.8	100.0

Revenue for Civil Engineering segment increased by \$40.1 million as the construction work for stabling yard at Gali Batu picks up in 2016. However total revenue for the group decreased by \$56.7 million (-32%) to \$118.1 million as no sales was recorded for property development segment. The sales of Ark@KB was recognized in March 2015 and there was no development project for recognition in the current financial period. The revenue from Investment property segment was only \$0.2 million as the workers dormitory has ceased operation since end of 2015.

Gross Profit

\$' million	FY 2016	FY 2015
Civil Engineering	30.1	11.0
Property Development	0.1	22.3
Investment Properties	0.1	5.4
	30.3	38.7

Civil Engineering segment's gross profit was \$30.1 million with higher revenue. Gross margin was much higher mainly due to about \$15 million write back of maintenance cost provision for the completed projects. Total gross profit for the group has reduced by \$8.4 million (-22%) compare to the FY2015 as there is minimal contribution from Property Development and the rental from investment properties.

Other income increased by \$0.6 million (+16%) to \$4.8 million, this was mainly due to the higher interest income.

Distribution cost was \$88,000 for FY2016, down from \$0.3 million in FY2015 as there was minimal selling activities for the Property Development segment.

Administrative expenses decreased by \$0.8 million (-13%) to \$5.4 million for the current financial year due to the lower performance bonus accrued in line with the drop in profit, lower administrative expenses for the property development segment, partially offset by the higher staff cost.

Fair value loss on investment property was \$250,000 for FY2016 (-90%) as the fair value loss of \$2.4 million for FY2015 was mainly related to the workers dormitory which has been demolished at end of 2015.

Impairment of investment securities amount to \$0.3 million mainly due to the write down of the held-to-maturity investment securities.

The share of result of joint venture was \$11.5 million, compared to \$8.0 million recorded for FY2015. This was mainly due to the recognition of the sales and TOP obtained in May for the Skywoods project. All units for project have been fully sold by July 2016.



Profit before taxation decreased by \$2.1 million to \$40.3 million, resulting mainly from absence of sales revenue from Property Development segment partially offset by the higher profit sharing from the Joint Venture in the residential development project, revenue from civil engineering segment, write back of cost provision for maintenance and interest income.

Financial position and cash flow review

The main movements are:

- Increase in property, plant and equipment of \$6.7 million, was mainly due to the acquisition of the Tampines site for \$3.8 million for the construction of own workshop and various plant and equipments to meet the requirement of ongoing projects.
- Increase in joint venture of \$10.0 million was due to the profit recognition of the Joint Venture residential development project, The Skywoods.
- The investment securities (total of current and non-current) decreased by \$2.0 million (-6%) to \$31.2 million, mainly due to the redemption of notes of \$5.8 million, disposal of quoted security of \$1.9 million and impairment loss of \$0.3 million, offset by the acquisition cost of about \$5.8 million.
- Increase in development properties by \$25.2 million mainly due to the additional construction cost incurred for the Tuas development project (Shine@TuasSouth) for FY2016.
- Increase in trade receivables was mainly due to the higher construction activities for civil engineering projects.
- Decrease in amounts due from a joint venture of \$59.1 million was due to repayment of loan from JV project, The Skywoods, of \$60.1 million.
- Net increase of cash and short term deposits of \$49.1 million for FY2016 was mainly due to the repayment of loan of \$60 million from the Joint Venture net of the payment of dividend of \$12.7 million.

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

The current announced results are in line with the general prospect commentary previously disclosed to shareholders in the results announcement for the financial period ended 30 September 2016.

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.

The Group's 60% JV was awarded a \$1.1 billion project from Changi Airport Group for the proposed development works to effect three-runway operations at Changi Airport. This new project commenced in August 2016 and is expected to be completed by 2022.

As at 31 December 2016, the Group's order book for on-going projects of civil engineering segment was approximately \$950 million for the Maxwell station, the two Changi Airport projects and Stabling at Gali Batu Depot. The construction of the Group's new industrial development property at Tuas (Shine@Tuas South) has commenced and is expected to be completed in 2018.

The management will continue to tender for infrastructure projects 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 ?**

Yes.

Name of dividend	Proposed first and final	Proposed Special	Total
Dividend type	Cash	Cash	Cash
Dividend amount per share (in cents)	2.5	10.0	12.5
Tax rate	Tax exempt (one tier)		

The above proposed dividend is subject to shareholders' approval at the Annual General Meeting.

(b) Corresponding Period of the immediately Preceding Financial year

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

Yes

Name of dividend	First and final
Dividend type	Cash
Dividend amount per share (in cents)	2.5
Tax rate	Tax exempt (one tier)

(c) Date payable

The proposed dividend, if approved at the next Annual General Meeting to be held on 25 April 2017, will be paid on 19 May 2017.

(d) Books closure date

The Share Transfer Books and Register of Members of Hock Lian Seng Holding Limited ("the Company") will be closed on 5 May 2017.

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

Not applicable.

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	\$'000 266	\$'000 Nil



PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

14. Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

By operating segments

Group	<i>Civil Engineering</i> \$'000	<i>Properties Development</i> \$'000	<i>Properties Investment</i> \$'000	<i>Adjustments</i> \$'000	<i>Total</i> \$'000
FY2016					
Sales to external customers	117,590	362	186	-	118,138
Inter-segment ^	464	-	-	(464)	-
	<u>118,054</u>	<u>362</u>	<u>186</u>	<u>(464)</u>	<u>118,138</u>
Results					
Depreciation	2,355	-	-	-	2,355
Fair value loss on investment properties	-	-	250	-	250
Dividend income from investment securities	-	-	-	130	130
Interest income	-	-	-	4,319	4,319
Segment profit	<u>14,980</u>	<u>93</u>	<u>130</u>	<u>-</u>	<u>15,203</u>
Assets					
Additions to non-current assets	5,172	-	-	-	5,172
Segment assets	<u>221,769</u>	<u>80,569</u>	<u>19,475</u>	<u>50,056</u>	<u>371,869</u>
Segment liabilities	<u>108,081</u>	<u>16,490</u>	<u>713</u>	<u>1,561</u>	<u>126,845</u>
FY2015					
Sales to external customers	77,303	89,541	7,918	-	174,762
Inter-segment ^	776	-	-	(776)	-
	<u>78,079</u>	<u>89,541</u>	<u>7,918</u>	<u>(776)</u>	<u>174,762</u>
Results					
Depreciation	1,904	1	-	-	1,905
Fair value loss on investment properties	-	-	2,381	-	2,381
Dividend income from investment securities	-	-	-	93	93
Interest income	-	-	-	2,376	2,376
Segment profit	<u>12,058</u>	<u>30,121</u>	<u>2,975</u>	<u>(2,763)</u>	<u>42,391</u>
Assets					
Additions to non-current assets	2,995	-	-	-	2,995
Segment assets	<u>154,467</u>	<u>138,287</u>	<u>3,350</u>	<u>44,590</u>	<u>340,694</u>
Segment liabilities	<u>83,828</u>	<u>29,771</u>	<u>32</u>	<u>6,239</u>	<u>119,870</u>

[^]Inter-segment revenues are eliminated on consolidation.

The Group's revenue from external customers was principally generated from Singapore. Accordingly, no geographical segment assets and revenue from customers' information are presented.



15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.

Please refer to paragraph 8.

16. A breakdown of sales as follows:-

	< ----- Group ----- >		Increase/ (Decrease) (%)
	Financial Year ended 31 Dec 2016	2015	
	\$'000	\$'000	
(a) Sales reported for first half year	55,237	125,283	-56%
(b) Operating profit after tax before deduction minority interests reported for first half year	12,867	25,060	-49%
(c) Sales reported for second half year	62,901	49,479	+27%
(d) Operating profit after tax before deduction minority interests reported for second half year	23,065	11,640	+98%

17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

	Latest Full Year FY2016	Previous Full Year FY2015
	\$'000	\$'000
Proposed first and final dividend (Tax exempt 1-tier)	12,749*	12,749
Proposed Special dividend(Tax exempte 1-tier)	50,998*	-

*subject to shareholders' approval at the forthcoming Annual General Meeting

18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held , if any, during the year
Chua Hua Hong	64	Brother of Mr Chua Leong Hai, substantial shareholder, Executive director and CEO of the Company and uncle of Ms Chua Siok Peng, Executive Director of the Company.	Joined the Group since 1975. Mr Chua Hua Hong is the Deputy General Manager (Logistic), responsible for the management of workers as well as purchasing, deployment and maintenance of plant and equipments.	Resigned as Director on 15 December 2015, remain as Deputy General Manager (Logistic).



19. 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.

BY ORDER OF THE BOARD

CHUA LEONG HAI

Executive Director and CEO
23 February 2017