



Hock Lian Seng Holdings Limited

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Company Registration Number 200908903E

FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

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		
	9 months ended		Change
	30.09.2017	30.09.2016	
	\$'000	\$'000	%
Revenue	100,629	84,859	18.6%
Cost of sales	(89,596)	(75,236)	19.1%
Gross profit	11,033	9,623	14.7%
Other income	2,808	3,699	-24.1%
Distribution and selling costs	-	(78)	n.m.
Administrative costs	(3,526)	(3,592)	-1.8%
Changes in fair value/(impairment) of investment securities	46	(276)	n.m.
Other operating costs	(222)	(191)	16.2%
Share of results of joint venture, net of tax	(14)	10,732	n.m.
Profit before taxation	10,125	19,917	-49.2%
Tax expenses	(1,607)	(1,341)	19.8%
Profit after taxation	8,518	18,576	-54.1%
Attributable to:			
Equity holders of the Company	8,518	18,576	-54.1%

n.m. : - not meaningful



Consolidated statement of comprehensive income

	Group	
	30.09.2017	30.09.2016
	\$'000	\$'000
Profit after taxation	8,518	18,576
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
- net change in fair value	232	181
Cash flow hedge	(461)	-
- net change in fair value		
Other comprehensive income	(229)	181
Total comprehensive income	8,289	18,757
Attributable to:		
Equity holders of the Company	8,289	18,757

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

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

	9 months ended	
	30.09.2017	30.09.2016
	\$'000	\$'000
Depreciation of property, plant and equipment	2,746	1,694
Loss on foreign exchange	1	-
Loss/(gain) on disposal of property, plant and equipment	(203)	4
Gain on disposal of investment securities	-	(45)
Impairment loss on investment securities	-	250
Allowance for doubtful receivables	-	40
Interest income	(2,257)	(3,110)
Dividend income from investment securities	(69)	(99)
Fair value changes on investment securities	(46)	26



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	
	30.09.2017	31.12.2016	30.06.2017	31.12.2016
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	31,308	15,629	-	-
Subsidiary companies	-	-	37,814	37,814
Investment in joint venture	798	15,313	-	-
Investment properties	3,100	3,100	-	-
Investment securities (non-current)	21,536	26,765	-	-
Deferred tax assets	3,051	3,520	-	-
	59,793	64,327	37,814	37,814
Current assets				
Development properties	95,728	71,904	-	-
Contract work-in-progress	7,839	7,708	-	-
Trade receivables	16,177	13,661	-	-
Other receivables	54	1,041	48,465	56,469
Amounts due from a joint venture	7,506	1,357	-	-
Prepayments and deposits	3,237	1,427	-	-
Investment securities (current)	10,930	4,460	-	-
Cash and short term deposits	130,672	205,984	5,418	42,285
	272,143	307,542	53,883	98,754
Current liabilities				
Trade and other payables	59,749	50,934	355	508
Loans and borrowings	-	13	-	-
Amounts due to a joint venture partner	7,452	1,209	-	-
Progress billings in excess of work-in-progress	32,123	30,385	-	-
Progress billings to customers	1,708	455	-	-
Provisions	24,348	26,797	-	-
Provision for taxation	1,500	1,562	52	130
	126,880	111,355	407	638
Net current assets	145,263	196,187	53,476	98,116
Non-current liabilities				
Loans and borrowings	15,490	15,490	-	-
	15,490	15,490	-	-
Net assets	189,566	245,024	91,290	135,930
Equity				
Share capital	58,956	58,956	58,956	58,956
Capital reserve	1,000	1,000	-	-
Fair value reserve	409	177	-	-
Hedging reserve	(461)	-	-	-
Accumulated profits	145,901	201,130	32,334	76,974
Merger deficit	(16,239)	(16,239)	-	-
Total equity	189,566	245,024	91,290	135,930



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 September 2017		As at 31 December 2016	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
-	-	13	-

Amount repayable after one year

As at 30 September 2017		As at 31 December 2016	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
15,490	-	15,490	-

Details of collateral:

As at 30 September 2017, 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.



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----- >	
	9 months ended	
	30.09.2017	30.09.2016
	\$'000	\$'000
Cash flows from operating activities		
Profit before taxation	10,125	19,917
Adjustments :		
Depreciation of property, plant and equipment	2,746	1,694
Allowance for doubtful receivables	-	40
Loss/(gain) on disposal of property, plant and equipment	(203)	4
Impairment loss on investment securities	-	250
Fair value changes on investment securities	(46)	26
Gain on disposal of investment securities	-	(45)
Share of results of joint venture	14	(10,732)
Interest income	(2,257)	(3,110)
Dividend income from investment securities	(69)	(99)
	<u>10,310</u>	<u>7,945</u>
Operating cash flows before working capital changes		
(Increase)/decrease in:		
Contract work-in-progress	(131)	4,701
Development properties	(23,824)	(15,732)
Trade receivables	(2,516)	(9,118)
Other receivables	(28)	(286)
Prepayments and deposits	(1,810)	(321)
Increase/(decrease) in:		
Trade and other payables and provisions	6,981	(2,141)
Progress billings to customers	1,253	227
Progress billings in excess of work-in-progress	1,738	21,277
	<u>(8,027)</u>	<u>6,552</u>
Cash flows (used in) / generated from operations		
Interest received	1,396	2,301
Income tax paid	(1,200)	(5,808)
	<u>(7,831)</u>	<u>3,045</u>
Net cash flows (used in) / generated from operating activities		
Cash flows from investing activities		
Purchases of property, plant and equipment	(18,562)	(6,200)
Dividend income received from joint venture	14,500	-
Decrease/(increase) in amount due from a joint venture partner (net)	6,239	21
Decrease/((increase) in amounts due from joint ventures	(6,146)	60,198
Purchases of investment securities (Held-to-maturity)	(4,902)	(5,815)
Proceeds from disposal of property, plant and equipment	340	10
Proceeds from maturity/redemption of investment securities	4,006	4,000
Proceeds from disposal of investment securities	-	1,950
Interest received from investment securities	1,196	1,213
Dividend income received from investment securities	69	99
	<u>(3,260)</u>	<u>55,476</u>
Net cash flows (used in) / generated from investing activities		
Cash flows from financing activities		
Dividend paid	(63,747)	(12,749)
Repayment of obligations under finance lease	(13)	(38)
	<u>(63,760)</u>	<u>(12,787)</u>
Net cash flows used in financing activities		
Net increase/(decrease) in cash and cash equivalents	(74,851)	45,734
Cash and cash equivalents, Beginning balance	205,984	156,907
Effect of exchange differences on cash and cash equivalents	(461)	-
	<u>130,672</u>	<u>202,641</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

<u>Group</u>							
	Share capital	Capital reserve	Accumulated profits	Fair value adjustment reserve	Hedging reserve	Merger deficit	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2017	58,956	1,000	201,130	177	-	(16,239)	245,024
Total comprehensive income	-	-	8,518	232	(461)	-	8,289
Dividend on ordinary shares	-	-	(63,747)	-	-	-	(63,747)
At 30 September 2017	58,956	1,000	145,901	409	(461)	(16,239)	189,566
At 1 January 2016	58,956	1,000	177,948	(41)	-	(16,239)	221,624
Total comprehensive income	-	-	18,576	181	-	-	18,757
Dividend on ordinary shares	-	-	(12,749)	-	-	-	(12,749)
At 30 September 2016	58,956	1,000	183,775	140	-	(16,239)	227,632

Company

	Share capital	Accumulated profits	Total equity
	\$'000	\$'000	\$'000
At 1 January 2017	58,956	76,974	135,930
Total comprehensive income	-	19,107	19,107
Dividend on ordinary shares	-	(63,747)	(63,747)
At 30 September 2017	58,956	32,334	91,290
At 1 January 2016	58,956	46,123	105,079
Total comprehensive income	-	6,542	6,542
Dividend on ordinary shares	-	(12,749)	(12,749)
At 30 September 2016	58,956	39,916	98,872



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.

	Number of shares	Issued and paid-up capital (\$)
Issued and fully paid shares as at 31 December 2016 and at 30 September 2017	<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 September 2017.

There were no outstanding treasury shares as at 30 September 2017.

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 September 2017	As at 31 December 2016
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, 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.

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 FY2016.

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 2017. 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 ----- > 9 months ended	----- > ended
	30.9.2017	30.9.2016
Earnings attributable to equity holders of the Company (\$'000)	8,518	18,576
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)	1.67	3.64
Fully diluted EPS attributable to equity holders of the Company (cents)	1.67	3.64

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 As at		Company As at	
	30.9.2017	31.12.2016	30.9.2017	31.12.2016
NAV per ordinary share (cents)	37.2	48.0	17.9	26.7
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.

9 months 2017 compared with 9 months 2016 Performance and segmental review

Revenue

In \$' million	9M 2017	%	9M 2016	%
Civil Engineering	100.4	99.8	84.8	99.9
Property Development	-	-	-	-
Investment Properties	0.2	0.2	0.1	0.1
	100.6	100.0	84.9	100.0

Revenue increased by \$15.7 million (+18%) mainly contributed from the Changi Airport JV project. No contribution from the Property Development and the revenue from Investment property segment remained insignificant.

Gross Profit

In \$' million	9M 2017	9M 2016
Civil Engineering	10.9	9.6
Property Development	-	-
Investment Properties	0.1	-
	11.0	9.6

Gross profit increased by \$1.4 million (+15%) to \$11.0 million for the current financial period mainly due to higher revenue.

Administrative expenses was \$3.5 million, marginally lower than the same period last year mainly due to lower performance bonus provision offset by the higher staff costs and share of administration costs of the Changi Airport JV project.

Other income was \$0.8 million lower mainly due to the reduction in interest income.

There is no share of profits from the joint venture as residential project has been fully recognized in previous years. The share of expenses relates to the administrative cost incurred for the joint venture.

Profit before taxation decreased by \$9.8 million to \$10.1 million, resulting mainly from absence of share of profit from Joint Venture partially offset by the higher gross profit from the civil engineering projects.

Financial position and cash flow review

The main movements are:

- Increase in property, plant and equipment of 15.7 million, was mainly due to the acquisition of \$6.5 million office units for own use, \$1.8 million construction cost for warehouse and about \$10.3 million of various plant and equipments to meet the requirement of ongoing projects.
- Decrease in the investment in joint venture of \$14.5 million was due to the dividend received from the Skywoods JV project.
- Increase in investment securities (total of current and non-current) by \$1.1 million, was mainly due to the acquisition of the held-to-maturity securities of \$4.9 million offset by the redemption of bonds of \$4.0 million.



- Increase in development properties by \$23.8 million mainly due to the additional construction cost incurred for the Tuas development project (Shine@TuasSouth) for the current financial period.
- Increase in trade receivables by \$2.5 million mainly due to the higher progress billings for civil engineering projects in September 2017.
- Increase in amounts due from/to a joint venture was mainly relate to additional amount contributed by the JV partners to fund the working capital of the joint venture project at Changi Airport.
- Increase in prepayments and deposit was due to the down payment paid for ordering of plant and equipments for the new Changi JV project.
- Hedging reserve was fair value recorded for the hedge for USD purchases commitment for project requirement.
- Net decrease of cash and short term deposits of \$74.9 million for the current financial period was mainly due to the cash outflow for dividend payment of \$63.7 million, acquisition of property and equipments of \$18.6 million, net cash outflows for operations of \$7.8 million offset by the \$14.5 million dividend income from the Joint Venture.

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 June 2017.

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 September 2017, the Group's order book for on-going projects of civil engineering segment was approximately \$830 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 second quarter of 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/recommended, a statement to that effect.

No interim dividend for the financial period ended 30 September 2017 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	\$'000 109	\$'000 Nil

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 September 2017 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

CHUA LEONG HAI

Executive Director and CEO
6 November 2017