

**Hock Lian Seng Holdings Limited**

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Company Registration Number 200908903E

FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

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
	First quarter ended		
	31.03.2019	31.03.2018	
	\$'000	\$'000	%
Revenue	47,111	40,869	15.3%
Cost of sales	(43,280)	(38,318)	12.9%
Gross profit	3,831	2,551	50.2%
Other income	752	547	37.5%
Distribution and selling costs	(21)	(8)	162.5%
Administrative costs	(1,237)	(1,168)	5.9%
Changes in fair value of investment securities	(288)	21	n.m.
Other operating costs	(539)	(342)	57.6%
Share of results of joint venture, net of tax	(194)	(25)	676.0%
Profit before taxation	2,304	1,576	46.2%
Tax expenses	(572)	18	n.m.
Profit after taxation	1,732	1,594	8.7%
Attributable to:			
Equity holders of the Company	1,732	1,594	8.7%

n.m. : - not meaningful



Consolidated statement of comprehensive income

	Group	
	First Quarter Ended	
	31.03.2019	31.03.2018
	\$'000	\$'000
Profit after taxation	1,732	1,594
Other comprehensive income:		
Financial instruments at FVOCI - net change in fair value	148	(34)
Other comprehensive income	148	(34)
Total comprehensive income	1,880	1,560
Attributable to:		
Equity holders of the Company	1,880	1,560

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	
	31.3.2019	31.03.2018
	\$'000	\$'000
Depreciation of property, plant and equipment	1,488	1,321
Loss/(gain) on foreign exchange	85	287
Loss/(gain) on disposal of property, plant and equipment	-	(6)
Loss on disposal of investment securities	41	-
Interest income	(416)	(456)
Dividend income from investment securities	-	(3)
Government grants	(226)	(57)
Fair value loss/(gain) on investment securities	288	(21)



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	
	31.03.2019	31.12.2018	31.03.2019	31.12.2018
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	36,350	37,694	-	-
Subsidiary companies	-	-	37,814	37,814
Investment in joint venture	1,336	1,711	-	-
Investment properties	2,850	2,850	-	-
Investment securities	6,919	7,021	-	-
Amounts due from joint ventures	37,418	34,537	-	-
Deferred tax assets	979	973	-	-
	85,852	84,786	37,814	37,814
Current assets				
Development properties	102,504	103,052	-	-
Contract assets	6,313	6,681	-	-
Trade receivables	13,103	18,486	-	-
Other receivables	6,327	7,178	58,980	58,038
Amounts due from joint ventures	186	151	-	-
Prepayments and deposits	3,510	3,114	-	-
Investment securities	24,648	24,977	-	-
Cash and short term deposits	82,497	94,376	410	1,357
	239,088	258,015	59,390	59,395
Current liabilities				
Trade and other payables	67,813	69,196	475	496
Loans and borrowings	-	11,490	-	-
Amounts due to joint venture partners	-	63	-	-
Advance payment received for construction project	5,277	5,277	-	-
Contract liabilities	29,401	36,526	-	-
Provisions	13,818	13,985	-	-
Provision for taxation	4,391	3,899	77	76
	120,700	140,436	552	572
Net current assets	118,388	117,579	58,838	58,823
Non-current liabilities				
Deferred income	133	138	-	-
	133	138	-	-
Net assets	204,107	202,227	96,652	96,637
Equity				
Share capital	59,954	59,954	59,954	59,954
Capital reserve	1,000	1,000	-	-
Fair value reserve	313	165	-	-
Accumulated profits	159,079	157,347	36,698	36,683
Merger deficit	(16,239)	(16,239)	-	-
Total equity	204,107	202,227	96,652	96,637



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 2019		As at 31 December 2018	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
-	-	11,490	-

Amount repayable after one year

As at 31 March 2019		As at 31 December 2018	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
-	-	-	-

Details of collateral:

As at 31 March 2019, the Group's has fully repaid the bank loan relating to Shine@Tuassouth project.



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	
	31.03.2019	30.03.2018
	\$'000	\$'000
Cash flows from operating activities		
Profit before taxation	2,304	1,576
Adjustments :		
Depreciation of property, plant and equipment	1,488	1,321
(Gain)/loss on disposal of property, plant and equipment	-	(6)
Fair value changes on investment securities	288	(21)
Loss on disposal of investment securities	41	-
Share of results of joint venture	194	25
Interest income	(416)	(456)
Unrealised exchange (gain)/loss	85	287
	3,984	2,723
Operating cash flows before working capital changes		
(Increase)/decrease in:		
Contract assets	369	(4,890)
Development properties	548	(3,167)
Trade receivables	5,384	13,803
Other receivables	594	(2,924)
Prepayments and deposits	(397)	289
Increase/(decrease) in:		
Trade and other payables and provisions	(1,551)	(2,397)
Progress billings to customers	-	391
Contract liabilities	(7,125)	306
Deferred income	(5)	173
	1,801	4,307
Cash flows generated from / (used in) operations		
Interest received	298	336
Income tax paid	(85)	-
	2,014	4,643
Net cash flows generated from / (used in) operating activities		
Cash flows from investing activities		
Purchases of property, plant and equipment	(144)	(2,176)
Decrease/(increase) in amount due from a joint venture partner (net)	(63)	53
Decrease/(increase) in amounts due from joint ventures	(2,735)	(4)
Purchases of investment securities	(3,705)	(1,257)
Proceeds from disposal of property, plant and equipment	-	7
Proceeds from maturity/redemption of investment securities	3,955	4,000
Interest received from investment securities	374	427
Dividend income received from investment securities	-	3
	(2,318)	1,053
Net cash flows (used in) / generated from investing activities		
Cash flows from financing activities		
Repayment of bank loans	(11,490)	-
	(11,490)	-
Net cash flows used in financing activities		
Net increase/(decrease) in cash and cash equivalents	(11,794)	5,696
Effect of exchange differences on cash and cash equivalents	(85)	(287)
Cash and cash equivalents, Beginning balance	94,376	132,081
Cash and cash equivalents, Ending balance	82,497	137,490



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 2019	59,954	1,000	157,347	165	(16,239)	202,227
Total comprehensive income	-	-	1,732	148	-	1,880
Dividend on ordinary shares	-	-	-	-	-	-
At 31 March 2019	59,954	1,000	159,079	313	(16,239)	204,107
At 1 January 2018	58,956	1,000	153,707	540	(16,239)	197,964
Total comprehensive income	-	-	1,594	(34)	-	1,559
Dividend on ordinary shares	-	-	-	-	-	-
At 31 March 2018	58,956	1,000	155,301	506	(16,239)	199,524

Company

	Share capital	Accumulated profits	Total Equity
	\$'000	\$'000	\$'000
At 1 January 2019	58,956	36,683	96,637
Total comprehensive income	-	15	15
Dividend on ordinary shares	-	-	-
At 31 March 2019	58,956	36,698	96,652
At 1 January 2018	58,956	32,749	91,705
Total comprehensive income	-	220	220
Dividend on ordinary shares	-	-	-
At 31 March 2018	58,956	32,969	91,925



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 2018 and at 31 March 2019	<u>512,103,991</u>	<u>59,954,272</u>

There were no changes in the Company's share capital for the financial period ended 31 March 2019.

There were no outstanding treasury shares as at 31 March 2019.

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 March 2019	As at 31 December 2018
Total number of issued shares (excluding treasury shares)	<u>512,103,991</u>	<u>512,103,991</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.

Except as disclosed in paragraph 5, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 31 December 2018.

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 Singapore Financial Standards International ("SFRS(I)") that become effective for accounting periods beginning 1 January 2019. The adoption of these new/revised SFRS(I) 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 ----- > 3 months ended	----- > 31.3.2018
	31.3.2019	31.3.2018
Earnings attributable to equity holders of the Company (\$'000)	1,732	1,594
Weighted average number of ordinary shares used in computation of basic and fully diluted EPS	512,103,991	509,978,991
Basic EPS attributable to equity holders of the Company (cents)	0.34	0.31
Fully diluted EPS attributable to equity holders of the Company (cents)	0.34	0.31

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	
	31.3.2019	31.12.2018	31.3.2019	31.12.2018
NAV per ordinary share (cents)	40.0	39.5	18.9	18.9
Number of shares used in computation of NAV per share	512,103,991	512,103,991	512,103,991	512,103,991



8. **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 2019 compared with 3 months 2018 Performance and segmental review

Revenue

In \$' million	3M 2019	%	3M 2018	%
Civil Engineering	46.4	98.5	40.8	99.8
Property Development	0.7	1.5	-	-
Investment Properties	-	-	0.1	0.2
	47.1	100.0	40.9	100.0

Revenue increased by 15% to \$47.1 million, contributed mainly from the higher construction activities for the Joint Venture Changi Airport project. The revenue from Property Development was relate to a sales of a unit at Shine@Tuassouth.

Gross Profit

In \$' million	3M 2019	3M 2018
Civil Engineering	3.7	2.6
Property Development	0.1	-
Investment Properties	-	-
	3.8	2.6

Gross profit increased by \$1.3 million (50%) to \$3.8 million mainly due to the higher revenue.

Administrative expenses was \$1.2 million, similar to the same period last year.

Other income increased by \$205,000 (+38%), mainly due to the rental income recognised for the unsold units at Ark@Gambas and Shine@Tuassouth of about \$98,000 and higher government incentive payment of \$175,000, offset by the lower interest income of about \$40,000.

The fair value loss for the quoted bonds and equities was due to lower marked to market value amount to \$288,000.

Other operating cost was \$197,000 higher, mainly due to the building maintenance cost for Shine@Tuasouth offset by the lower exchange loss.

The \$194,000 share of loss from joint ventures was mainly relate to the showflat construction cost for the Mattar Road residential project.

Income tax was negative for the previous financial period due to the finalization of the tax assessed for previous years and the excess tax provision was reversed. The effective tax is higher than the Singapore corporate tax rate due to expected higher undeductible expenses eg depreciation on warehouse, fair value loss on the quoted bonds.

Profit before taxation increased by \$1.2 million to \$2.3 million, resulting mainly from the higher gross profit, higher other income , offset by the higher other operating cost and loss in fair value of investment securities.



Financial position and cash flow review

The main movements are:

- Increase in the amounts due from Joint venture was due to the additional shareholders loan for the residential development at Mattar Road.
- Decrease in investment securities (total of current and non-current) by \$0.6 million, was mainly due to the \$3.7 million redemption of investment securities, offset by the \$4.0 million new investment and the mark to market loss of about \$0.3 million.
- The development properties of about \$102.5 million was mainly comprise of the cost for the unsold units at Shine@Tuassouth.
- Decrease in trade receivable as the progress billings certified in March 2019 was lower compare to December 2018.
- Bank's borrowing for the Shine@Tuassouth project of \$11.5 million was fully repaid in Jan 2019.
- Net decrease of cash and short term deposits of \$11.9 million for the current financial period was mainly due to the repayment of bank borrowing of \$11.5 million, additional shareholders loan of about \$2.9 million and net cash outflow of \$0.3 million for the acquisition and redemption of investment securities offset by the net cash generated from the operating activities of \$2 million and net cash inflow of \$0.3 million for the redemption and acquisition of investment 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 financial year ended 31 December 2018.

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

As at 31 March 2019, the Group's order book for on-going projects of civil engineering segment was approximately \$585 million for the Maxwell station, the two Changi Airport projects and Stabling at Gali Batu Depot.

The Group's industrial building project, Shine@TuasSouth, has sold 7% and leased 8% of the total units to date, the management will continue to promote the projects, expect the commercial activities in Tuas South area to pick up after the Tuas Mega port open in 2021, the management will increase the marketing effort to promote the development. The Mattar Road residential joint venture project is expected to commence construction by 2Q 2019. The sale launch is expected in 3Q 2019.

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 31 March 2019 is recommended.

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

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

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

The Company has procured undertakings 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 31 March 2019 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

CHUA LEONG HAI

Executive Director and CEO
9 May 2019