

**Hock Lian Seng Holdings Limited**

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Company Registration Number 200908903E

FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

PART I : Information required for announcement of Half 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		
	First half ended		Change
	30.06.2019	30.06.2018	
	\$'000	\$'000	%
Revenue	94,130	94,748	-0.7%
Cost of sales	(86,800)	(88,208)	-1.6%
Gross profit	7,330	6,540	12.1%
Other income	1,527	1,730	-11.7%
Distribution and selling costs	(21)	(10)	110.0%
Administrative costs	(2,240)	(2,940)	-23.8%
Changes in fair value of investment securities	(178)	(250)	-28.8%
Other operating costs	(986)	(119)	728.6%
Share of results of joint ventures, net of tax	(751)	(27)	2681.5%
Profit before taxation	4,681	4,924	-4.9%
Tax expenses	(1,207)	(504)	139.5%
Profit after taxation	3,474	4,420	-21.4%
Attributable to:			
Equity holders of the Company	3,474	4,420	-21.4%

n.m. : - not meaningful



Consolidated statement of comprehensive income

	Group	
	30.06.2019	30.06.2018
	\$'000	\$'000
Profit after taxation	3,474	4,420
Other comprehensive income:		
Financial instruments at FVOCI - net change in fair value	185	(183)
Total comprehensive income	<u>3,659</u>	<u>4,237</u>
Attributable to:		
Equity holders of the Company	<u>3,659</u>	<u>4,237</u>

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

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

	Group	
	30.6.2019	30.06.2018
	\$'000	\$'000
Depreciation of property, plant and equipment	2,967	2,646
Loss/(gain) on foreign exchange	103	(337)
Loss/(gain) on disposal of property, plant and equipment	(20)	(181)
Loss on disposal of investment securities	41	-
Interest income	(890)	(1,030)
Dividend income from investment securities	(37)	(37)
Government grants	(230)	(108)
Fair value loss/(gain) on investment securities	178	250



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	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	34,939	37,694	-	-
Subsidiary companies	-	-	37,814	37,814
Investment in joint ventures	755	1,711	-	-
Investment properties	2,850	2,850	-	-
Investment securities	7,706	7,021	-	-
Amounts due from joint ventures	39,106	34,537	-	-
Deferred tax assets	921	973	-	-
	86,277	84,786	37,814	37,814
Current assets				
Development properties	102,504	103,052	-	-
Contract assets	4,435	6,681	-	-
Trade receivables	12,163	18,487	-	-
Other receivables	5,624	7,177	59,345	58,038
Amounts due from joint ventures	86	151	-	-
Prepayments and deposits	3,044	3,114	-	-
Investment securities	24,300	24,977	-	-
Cash and short term deposits	69,741	94,376	5,559	1,357
	221,897	258,015	64,904	59,395
Current liabilities				
Trade and other payables	64,189	69,196	329	496
Loans and borrowings	-	11,490	-	-
Amounts due to joint venture partners	62	63	-	-
Advance payment received for construction project	5,277	5,277	-	-
Contract liabilities	24,952	36,526	-	-
Provisions	13,659	13,985	-	-
Provision for taxation	3,074	3,899	43	76
	111,213	140,436	372	572
Net current assets	110,684	117,579	64,532	58,823
Non-current liabilities				
Deferred income	292	138	-	-
	292	138	-	-
Net assets	196,669	202,227	102,346	96,637
Equity				
Share capital	59,954	59,954	59,954	59,954
Capital reserve	1,000	1,000	-	-
Fair value adjustment reserve	350	165	-	-
Accumulated profits	151,604	157,347	42,392	36,683
Merger deficit	(16,239)	(16,239)	-	-
Total equity	196,669	202,227	102,346	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 30 June 2019		As at 31 December 2018	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
-	-	11,490	-

Amount repayable after one year

As at 30 June 2019		As at 31 December 2018	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
-	-	-	-

Details of collateral:

As at 30 June 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----- >	
	Half year ended	
	30.06.2019	30.06.2018
	\$'000	\$'000
Cash flows from operating activities		
Profit before taxation	4,681	4,924
Adjustments :		
Depreciation of property, plant and equipment	2,967	2,646
(Gain)/loss on disposal of property, plant and equipment	(20)	(181)
Fair value changes on investment securities	178	250
Share of results of joint venture	751	27
Interest income	(890)	(1,030)
Share-based compensation expenses	-	998
Unrealised exchange (gain)/loss	103	(337)
Dividend income from investment securities	(37)	(37)
Operating cash flows before working capital changes	7,733	7,260
(Increase)/decrease in:		
Contract assets	2,246	(9,151)
Development properties	548	(4,236)
Trade receivables	6,324	2,535
Other receivables	1,189	(35,421)
Prepayments and deposits	70	39
Increase/(decrease) in:		
Trade and other payables and provisions	(5,335)	6,258
Contract liabilities	(11,574)	677
Deferred income	(9)	146
Cash flows generated from / (used in) operations	1,192	(31,893)
Interest received	501	709
Income tax paid	(1,980)	(815)
Net cash flows generated from / (used in) operating activities	(287)	(31,999)
Cash flows from investing activities		
Purchases of property, plant and equipment	(212)	(4,209)
Dividend income received from joint venture	-	500
Decrease/(increase) in amount due from joint venture partner (net)	433	(69)
Decrease/(increase) in amounts due from joint ventures	(4,569)	(5)
Purchases of investment securities	(5,825)	(3,007)
Proceeds from disposal of property, plant and equipment	20	269
Proceeds from maturity/redemption of investment securities	5,825	4,775
Interest received from investment securities	753	731
Dividend income received from investment securities	37	37
Net cash flows (used in) / generated from investing activities	(3,538)	(978)
Cash flows from financing activities		
Dividend paid	(9,217)	(9,217)
Repayment of bank loans	(11,490)	(1,000)
Net cash flows used in financing activities	(20,707)	(10,217)
Net increase/(decrease) in cash and cash equivalents	(24,532)	(43,194)
Effect of exchange differences on cash and cash equivalents	(103)	337
Cash and cash equivalents, Beginning balance	94,376	132,081
Cash and cash equivalents, Ending balance	69,741	89,224



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	-	-	3,474	185	-	3,659
Dividend on ordinary shares	-	-	(9,217)	-	-	(9,217)
At 30 June 2019	59,954	1,000	151,604	350	(16,239)	196,669
At 1 January 2018	58,956	1,000	153,707	540	(16,239)	197,964
Total comprehensive income	-	-	4,420	(183)	-	1,559
Dividend on ordinary shares	-	-	(9,217)	-	-	-
Share-based payment	998	-	-	-	-	-
At 30 June 2018	59,956	1,000	148,910	357	(16,239)	193,982

Company

	Share capital	Accumulated profits	Total Equity
	\$'000	\$'000	\$'000
At 1 January 2019	59,954	36,683	96,637
Total comprehensive income	-	14,926	14,926
Dividend on ordinary shares	-	(9,217)	(9,217)
At 30 June 2019	59,954	42,392	102,346
At 1 January 2018	58,956	32,749	91,705
Total comprehensive income	-	13,030	13,030
Dividend on ordinary shares	-	(9,217)	(9,217)
Share-based payment	998	-	998
At 30 June 2018	59,954	36,562	96,516



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 30 June 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 30 June 2019.

There were no outstanding treasury shares as at 30 June 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.

	30 June 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 ----- > 6 months ended	
	30.6.2019	30.6.2018
Earnings attributable to equity holders of the Company (\$'000)	3,474	4,420
Weighted average number of ordinary shares used in computation of basic and fully diluted EPS	512,103,991	511,047,361
Basic EPS attributable to equity holders of the Company (cents)	0.68	0.86
Fully diluted EPS attributable to equity holders of the Company (cents)	0.68	0.86

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	
	30.6.2019	31.12.2018	30.6.2019	31.12.2018
NAV per ordinary share (cents)	38.4	39.5	19.9	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.**

6 months 2019 compared with 6 months 2018 Performance and segmental review

Revenue

In \$' million	6M 2019	%	6M 2018	%
Civil Engineering	93.3	99.1	94.5	99.8
Property Development	0.7	0.8	-	-
Investment Properties	0.1	0.1	0.2	0.2
	94.1	100.0	94.7	100.0

Revenue was marginally lower by 1% to \$94.1 million, the lower construction activities for the Changi Airport joint venture project was offset by the higher revenue recognised for the Maxwell and Gali Batu Depot Project. The revenue from Property Development was related to the sales of a unit at Shine@TuasSouth.

Gross Profit

In \$' million	6M 2019	6M 2018
Civil Engineering	7.2	6.4
Property Development	0.1	-
Investment Properties	-	0.1
	7.3	6.5

Gross profit increased by \$0.8 million (+12%) to \$7.3 million mainly due to the higher gross margin for the projects revenue recognised for the current reporting period.

Administrative expenses decreased by \$0.7 million (-24%), as the sharing of the litigation expenses for the arbitration case for the Jalan Gali Batu Depot joint venture has reduced by about \$0.4 million and lower performance bonus was accrued for current financial period.

Other income reduced by \$0.2 million (-12%), as there was no forex exchange gain of \$0.3 million and lower interest income of \$0.1 million, offset by the rental income recognised for the unsold units at Ark@Gambas and Shine@TuasSouth of about \$0.2 million

Other operating cost was \$1.0 million, which included foreign exchange loss of \$0.1 million. The remaining mainly comprised of the building maintenance cost for the unsold units at Shine@TuasSouth.

The \$0.8 million share of loss from joint ventures was mainly due to the showflat construction cost for the Mattar Road residential project.

The effective tax is higher than the Singapore corporate tax rate due to expected higher non-deductible expenses such as depreciation on warehouse, fair value loss on the quoted bonds and no recognition of deferred tax asset for unutilised tax loss.

Profit before taxation reduced by \$0.2 million to \$4.7 million, resulting mainly from the higher other operating cost and share of loss from joint ventures, offset by higher gross profit.



Financial position and cash flow review

The main movements are:

- Decrease in property, plant and equipment of \$2.8 million was due to the depreciation expenses recognised for the current financial period.
- Increase in the amounts due from joint ventures of \$4.6 million was due to the extension of additional shareholders loan for the residential development at Mattar Road.
- Investment securities (total of current and non-current) remained stable at about \$32.0 million, as the \$5.8 million redemption of investment securities, offset by \$5.8 million of new investment.
- The development properties of about \$102.5 million was mainly comprised the cost for the unsold units at Shine@TuasSouth.
- Decrease in trade receivable as the progress billings certified in June 2019 was lower compared to December 2018.
- Bank borrowings for the Shine@TuasSouth project of \$11.5 million was fully repaid in January 2019.
- Net decrease of cash and short term deposits of \$24.5 million for the current financial period was mainly due to the repayment of bank borrowing of \$11.5 million, additional shareholders loan extended to joint venture of about \$4.6 million, dividend payment of \$9.2 million. The net cash flow used in the operating activities was \$0.3 million, mainly due to the settlement of trade payables and lower contract liabilities due to reduction in the advance payment for construction projects reduced with construction activities carried out and recognised as revenue.

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 March 2019.

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 2019, the Group's order book for on-going projects of civil engineering segment was approximately \$535 million for the Maxwell station, the Changi Airport joint venture project 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 construction of the Mattar Road residential joint venture project has commenced and sales 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 30 June 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 30 June 2019 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

CHUA LEONG HAI

Executive Director and CEO
1 August 2019