

**Hock Lian Seng Holdings Limited**

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Company Registration Number 200908903E

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**FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020**

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**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		Change
	Half year ended 30.06.2020	30.06.2019	
	\$'000	\$'000	%
Revenue	34,294	94,130	-63.6%
Cost of sales	(30,555)	(86,800)	-64.8%
Gross profit	3,739	7,330	-49.0%
Other income	5,351	1,527	250.4%
Distribution and selling costs	(28)	(21)	33.3%
Administrative costs	(1,744)	(2,240)	-22.1%
Changes in fair value of investment securities	(876)	(178)	392.1%
Loss on disposal of investment securities	(390)	-	n.m.
Other operating costs	(2,413)	(986)	144.7%
Share of results of joint ventures, net of tax	(1,328)	(751)	76.8%
Profit before taxation	2,311	4,681	-50.6%
Tax expenses	(531)	(1,207)	-56.0%
Profit after taxation	1,780	3,474	-48.8%
Attributable to:			
Equity holders of the Company	1,769	3,474	-49.1%
Non-controlling interests	11	-	n.m.

n.m. : - not meaningful



## Consolidated statement of comprehensive income

	Group	
	Half year ended	
	30.06.2020	30.06.2019
	\$'000	\$'000
Profit after taxation	1,780	3,474
Other comprehensive income:		
Financial instruments at FVOCI		
- net change in fair value	(488)	185
Total comprehensive income	<u>1,292</u>	<u>3,659</u>
Attributable to:		
Equity holders of the Company	1,281	3,659
Non-controlling interests	<u>11</u>	<u>-</u>

### 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	
	30.06.2020	30.06.2019
	\$'000	\$'000
Depreciation of property, plant and equipment	2,565	2,967
Loss/(gain) on foreign exchange	(429)	103
Gain on disposal of property, plant and equipment	(16)	(20)
Loss on disposal of investment securities	390	41
Interest income	(1,049)	(890)
Dividend income from investment securities	(46)	(37)
Government grants	(2,626)	(230)
Fair value loss on investment securities	862	178
Rental income from property development projects	(1,171)	(289)



**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	
	30.06.2020 \$'000	31.12.2019 \$'000	30.06.2020 \$'000	31.12.2019 \$'000
<b>Non-current assets</b>				
Property, plant and equipment	29,442	32,026	-	-
Subsidiary companies	-	-	37,844	37,844
Investment in joint ventures	21	21	-	-
Investment properties	2,850	2,850	-	-
Investment securities	7,375	7,689	-	-
Amount due from joint venture	43,664	42,279	-	-
Deferred tax assets	3,736	4,113	-	-
	<b>87,088</b>	<b>88,978</b>	<b>37,844</b>	<b>37,844</b>
<b>Current assets</b>				
Development properties	100,995	100,995	-	-
Contract assets	9,631	5,035	-	-
Trade receivables	3,680	21,055	-	-
Other receivables	4,940	5,875	63,058	61,667
Amounts due from joint ventures	165	60	-	-
Prepayments and deposits	2,593	2,904	-	-
Investment securities	16,401	21,539	-	-
Cash and short term deposits	78,356	77,580	10,478	3,332
	<b>216,761</b>	<b>235,043</b>	<b>73,536</b>	<b>64,999</b>
<b>Current liabilities</b>				
Trade and other payables	45,446	61,911	493	408
Advance payment received for construction projects	6,025	5,277	-	-
Contract liabilities	4,720	8,943	-	-
Provisions	28,754	32,074	-	-
Provision for taxation	7,312	7,159	17	15
	<b>92,257</b>	<b>115,364</b>	<b>510</b>	<b>423</b>
<b>Net current assets</b>	<b>124,504</b>	<b>119,679</b>	<b>73,026</b>	<b>64,576</b>
<b>Non-current liabilities</b>				
Deferred income	1,053	867	-	-
Other payables	3,449	1,992	-	-
	<b>4,502</b>	<b>2,859</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>	<b>207,090</b>	<b>205,798</b>	<b>110,870</b>	<b>102,420</b>
<b>Equity</b>				
Share capital	59,954	59,954	59,954	59,954
Capital reserve	1,000	1,000	-	-
Fair value adjustment reserve	(156)	332	-	-
Accumulated profits	162,468	160,699	50,916	42,466
Merger deficit	(16,239)	(16,239)	-	-
<b>Equity attributable to owners of the Company</b>	<b>207,027</b>	<b>205,746</b>	<b>110,870</b>	<b>102,420</b>
Non-Controlling interests	63	52	-	-
<b>Total Equity</b>	<b>207,090</b>	<b>205,798</b>	<b>110,870</b>	<b>102,420</b>



**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 2020		As at 31 December 2019	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
-	-	-	-

Amount repayable after one year

As at 30 June 2020		As at 31 December 2019	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
-	-	-	-

Details of collateral:

The Group has no borrowing as at 30 June 2020 and 31 December 2019.



**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	
	30.06.2020	30.06.2019
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Profit before taxation	2,311	4,681
Adjustments :		
Depreciation of property, plant and equipment	2,565	2,967
(Gain)/loss on disposal of property, plant and equipment	(16)	(20)
Fair value changes on investment securities	862	178
Loss on disposal of investment securities	390	-
Share of results of joint venture	1,328	751
Interest income	(1,049)	(890)
Unrealised foreign exchange (gain)/loss	(429)	103
Dividend income from investment securities	(46)	(37)
<b>Operating cash flows before working capital changes</b>	<b>5,916</b>	<b>7,733</b>
(Increase)/decrease in:		
Contract assets	(4,596)	2,246
Development properties	-	548
Trade receivables	17,375	6,324
Other receivables	426	1,189
Prepayments and deposits	310	70
Increase/(decrease) in:		
Trade and other payables and provisions	(18,911)	(5,335)
Contract liabilities	(4,223)	(11,574)
Advance payments received for construction project	748	-
Deferred income	(560)	(9)
<b>Cash flows generated from / (used in) operations</b>	<b>(3,515)</b>	<b>1,192</b>
Interest received	791	501
Income tax paid	-	(1,980)
<b>Net cash flows generated from / (used in) operating activities</b>	<b>(2,724)</b>	<b>(287)</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	-	(212)
Advance to joint venture	(1,385)	(4,569)
Purchases of investment securities	(424)	(5,825)
Proceeds from disposal of property, plant and equipment	35	20
Proceeds from maturity/redemption of investment securities	3,396	5,825
Proceeds from disposal of investment securities	740	-
Interest received from investment securities	663	753
Dividend income received from investment securities	46	37
<b>Net cash flows (used in) / generated from investing activities</b>	<b>3,071</b>	<b>(3,538)</b>
<b>Cash flows from financing activities</b>		
Dividend paid	-	(9,217)
Repayment of bank loans	-	(11,490)
<b>Net cash flows used in financing activities</b>	<b>-</b>	<b>(20,707)</b>
Net increase/(decrease) in cash and cash equivalents	347	(24,532)
Effect of exchange differences on cash and cash equivalents	429	(103)
Cash and cash equivalents, Beginning balance	77,580	94,376
<b>Cash and cash equivalents, Ending balance</b>	<b>78,356</b>	<b>69,741</b>



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	Non-controlling interest	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 January 2020</b>	59,954	1,000	160,699	332	(16,239)	52	205,798
Net Profit	-	-	1,769	-	-	11	1,780
Other comprehensive income	-	-	-	(488)	-	-	(488)
<b>Total comprehensive income</b>	-	-	<b>1,769</b>	<b>(488)</b>	-	<b>11</b>	<b>1,292</b>
Dividend on ordinary shares	-	-	-	-	-	-	-
Proceeds from issue of shares to non-controlling shareholder	-	-	-	-	-	-	-
<b>Total transactions with owners, recognised directly in equity</b>	-	-	-	-	-	-	-
<b>At 30 June 2020</b>	<b>59,954</b>	<b>1,000</b>	<b>162,468</b>	<b>(156)</b>	<b>(16,239)</b>	<b>63</b>	<b>207,090</b>
<b>At 1 January 2019</b>	<b>59,954</b>	<b>1,000</b>	<b>157,347</b>	<b>165</b>	<b>(16,239)</b>	-	<b>202,227</b>
Net Profit	-	-	3,474	-	-	-	3,474
Other comprehensive income	-	-	-	185	-	-	185
<b>Total comprehensive income</b>	-	-	<b>3,474</b>	<b>185</b>	-	-	<b>3,659</b>
Dividend on ordinary shares	-	-	(9,217)	-	-	-	(9,217)
Share-based payment	-	-	-	-	-	-	-
<b>Total transactions with owners, recognised directly in equity</b>	-	-	<b>(9,217)</b>	-	-	-	<b>(9,217)</b>
<b>At 30 June 2019</b>	<b>59,954</b>	<b>1,000</b>	<b>151,604</b>	<b>350</b>	<b>(16,239)</b>	-	<b>196,669</b>

Company

	Share capital	Accumulated profits	Total Equity
	\$'000	\$'000	\$'000
<b>At 1 January 2020</b>	59,954	42,466	102,420
Profit, representing total comprehensive income	-	8,450	8,450
Dividend on ordinary shares	-	-	-
<b>At 30 June 2020</b>	<b>59,954</b>	<b>50,916</b>	<b>110,870</b>
<b>At 1 January 2019</b>	59,954	36,683	96,637
Profit, representing total comprehensive income	-	14,926	14,926
Dividend on ordinary shares	-	(9,217)	(9,217)
<b>At 30 June 2019</b>	<b>59,954</b>	<b>42,392</b>	<b>102,346</b>



**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 2019 and at 30 June 2020	<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 2020.

There were no outstanding treasury shares as at 30 June 2020.

**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 2020	As at 31 December 2019
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 2019.

**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 2020. 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	
	30.6.2020	30.6.2019
Earnings attributable to equity holders of the Company (\$'000)	1,769	3,474
Weighted average number of ordinary shares used in computation of basic and fully diluted EPS	512,103,991	512,103,991
Basic EPS attributable to equity holders of the Company (cents)	0.35	0.68
Fully diluted EPS attributable to equity holders of the Company (cents)	0.35	0.68

**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	
	30.6.2020	31.12.2019	30.6.2020	31.12.2019
NAV per ordinary share (cents)	40.4	39.5	21.6	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 2020 compared with 6 months 2019 Performance and segmental review**

Revenue

In \$' million	6M 2020	%	6M 2019	%
Civil Engineering	34.2	99.7	93.3	99.1
Property Development	-	-	0.7	0.8
Investment Properties	0.1	0.3	0.1	0.1
	34.3	100.0	94.1	100.0

Revenue decreased by 64% to \$34.3 million for first half of 2020 as there were only two active construction projects, and the construction activities were substantially disrupted from April onwards due to the circuit breaker measures. Industrial property at Shine@TuasSouth has no reported sales for current financial period.

Gross Profit

In \$' million	6M 2020	6M 2019
Civil Engineering	3.6	7.2
Property Development	0.1	0.1
Investment Properties	-	-
	3.7	7.3

Gross profit decreased by \$3.6 million (-49%) to \$3.7 million mainly due to the lower revenue for the current financial period. However gross margin was higher due to the finalization of account with client for a completed project.

Administrative costs decreased by \$0.5 million (-22%), due to lower headcount and no performance bonus accrued for current financial period.

Other income increased by \$3.8 million (+250%) mainly due to the foreign exchange gain of \$0.4 million, higher government grant and incentives of \$2.4 million, higher rental income recognised for the unsold units at Ark@Gambas and Shine@TuasSouth of about \$0.9 million and higher interest income of \$0.2 million due to the recognition of the interest from JV project.

Higher fair value loss in investment securities due to lower market value for the investment securities. Disposal of an equity investment has also resulted in a loss of \$0.4 million.

Other operating cost was \$2.4 million, mainly comprised of the workers and staff cost incurred for the affected construction sites of \$1.7 million during circuit breaker and about \$0.6 million building maintenance cost for the unsold units at Shine@TuasSouth

The \$1.3 million share of loss from joint ventures was mainly due the slow sales and the finance cost of 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 51% to \$2.3 million, resulting mainly from the lower gross profit, higher other operating cost, fair value loss on investment securities and share of loss from joint venture partially offset by higher other income.



## **Financial position and cash flow review**

The main movements and significant balances are:

- Decrease in property, plant and equipment of \$2.6 million was due to the depreciation expenses recognised for the current financial period.
- Increase in the amounts due from joint ventures of \$1.4 million was due to additional shareholders loan for the residential development at Mattar Road.
- Investment securities (total of current and non-current) was reduced by \$5.5 million to \$23.8 million, mainly due to the \$3.4 million redemption of investment securities, disposal of \$0.7million, \$0.4 million loss on disposal and \$1.3 million fair value loss on both FVTPL and FVOCI, offset by \$0.4 million of addition of new investment securities.
- The development properties of about \$101 million was mainly comprised the cost for the unsold units at Shine@TuasSouth.
- Decrease in trade receivable as the progress billings certified in June 2020 was extremely low for June 2020 in view of the disruption in construction activities .
- Provision for project maintenance cost was lower due to utilisation of the provision as cost incurred for the defect rectification cost for completed projects.
- Deferred income mainly comprised of unrealized interest income billed to Mattar Road joint venture.
- Long term other payable mainly relates to deposit received for leasing of units at Shine@tuasouth and accumulated loss in excess of investment in joint venture.
- Net increase in of cash and short term deposits of \$0.8 million for the current financial period was mainly due to net cash inflow from redemption of the securities investment of about \$3.4 million offset by additional shareholder loan of \$1.4 million and the net cash used in operating activities of about \$2.7 million arising from settlement of trade payables and utilisation of provision for completed maintenance cost.

### **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 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 2020, the Group's order book for on-going projects of civil engineering segment was approximately \$407 million for the Maxwell station and the Changi Airport joint venture project.

The Group's industrial building project, Shine@TuasSouth, has sold 7% and leased 29% of the total units. Mattar Road residential joint venture project has sold 10% of the total units as at end 30 June 2020.

The COVID-19 pandemic is expected to continue to adversely impact performance for the rest of FY2020, as the construction activities for our sites are still pending to resume, higher compliance cost due to safety measures and most tenders of government infrastructure projects have been extended. The management would focus on reducing operational expenditure, managing working capital and ensuring liquidity. Against the challenging backdrop, the Company will stay vigilant and continue to adjust its measure and strategies as the COVID-19 situation evolve.



**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 2020 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 2020 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

CHUA LEONG HAI

Executive Director and CEO  
4 August 2020