



Hock Lian Seng Holdings Limited

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Company Registration Number 20090890E

FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

PART I : Information required for announcement of Full Year Results

1(a)(i) An Income Statement (for the group), together with comparative statements for the corresponding period of the immediately preceding financial year.

Results for the financial year ended 31 December 2010:

	Group		
	Financial year ended		Change
	31/12/2010	31/12/2009	
	S\$'000	S\$'000	%
Revenue	229,020	224,800	1.9%
Cost of sales	(198,931)	(196,975)	1.0%
Gross profit	30,089	27,825	8.1%
Other income	7,830	4,258	83.9%
Administrative costs	(5,309)	(5,102)	4.1%
Other operating costs	(178)	(1,002)	-82.2%
Profit before taxation	32,432	25,979	24.8%
Tax expenses	(5,412)	(4,702)	15.1%
Profit for the year	27,020	21,277	27.0%
Attributable to:			
Equity holders of the Company	27,020	21,277	27.0%



Consolidated statement of comprehensive income

	Group	
	31/12/2010	31/12/2009
	S\$'000	S\$'000
Profit for the year	27,020	21,277
Other comprehensive income:		
Available-for-sale financial assets		
- Net (loss)/gain on fair value changes	(223)	5,286
- Reclassification adjustment arising from the disposal of the investment securities	(4,017)	(1,000)
Foreign currency translation		
- Realisation of reserve upon liquidation of branch	-	189
Other comprehensive income for the year	(4,240)	4,475
Total comprehensive income for the year	22,780	25,752
Attributable to:		
Equity holders of the Company	22,780	25,752

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

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

	Group	
	31/12/2010	31/12/2009
	S\$'000	S\$'000
Depreciation of property, plant and equipment	1,328	849
Loss/(gain) on foreign exchange	10	(498)
Gain on disposal of property, plant and equipment	(627)	(633)
Gain on disposal of investment securities	(4,017)	(1,000)
Impairment loss on investment securities	-	25
Loss on liquidation of a branch	-	294
Allowance for doubtful receivables	-	56
Write back of allowance for doubtful receivables	(12)	(2)
Interest income	(650)	(498)
Interest expense	1	-
Gross dividend income from investment securities	(72)	(332)
Fair value changes on investment properties	(1,086)	(130)
Write back of provision on fine for GST incorrect declaration	(390)	-
Fair value changes on investment securities	(64)	-
Property, plant and equipment written off	-	56



1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Property, plant and equipment	9,434	8,377	-	-
Subsidiary companies	-	-	34,814	34,814
Investment properties	10,321	930	-	-
Investment securities (non-current)	2,009	2,010	-	-
Deferred tax assets	-	715	-	-
	21,764	12,032	34,814	34,814
Current assets				
Inventories	-	116	-	-
Contract work-in-progress	6,431	6,427	-	-
Trade receivables	17,341	16,548	-	1
Other receivables	2,398	5,824	8,820	9,844
Prepayments	12	5,817	-	-
Investment securities (current)	3,270	8,273	-	-
Cash and short term deposits	165,490	143,534	24,690	23,541
Pledged fixed deposits	202	202	-	-
	195,144	186,741	33,510	33,386
Current liabilities				
Trade and other payables	38,612	37,470	257	1,322
Obligations under hire purchase contracts	84	-	-	-
Progress billings in excess of work-in-progress	78,007	61,120	-	-
Advance payment received from customer	-	16,164	-	-
Provisions	5,402	4,597	-	-
Provision for taxation	4,697	5,132	10	5
	126,802	124,483	267	1,327
Net current assets	68,342	62,258	33,243	32,059
Non-current liabilities				
Deferred tax liabilities	673	59	-	-
Obligations under hire purchase contracts	72	-	-	-
	745	59	-	-
Net assets	89,361	74,231	68,057	66,873
Equity				
Share capital	58,956	58,956	58,956	58,956
Capital reserve	1,000	1,000	-	-
Accumulated profits	45,644	26,274	9,101	7,917
Fair value adjustment reserve	-	4,240	-	-
Merger deficit	(16,239)	(16,239)	-	-
Total equity	89,361	74,231	68,057	66,873



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 2010		As at 31 December 2009	
Secured (S\$'000)	Unsecured (S\$'000)	Secured (S\$'000)	Unsecured (S\$'000)
84	-	-	-

Amount repayable after one year

As at 31 December 2010		As at 31 December 2009	
Secured (S\$'000)	Unsecured (S\$'000)	Secured (S\$'000)	Unsecured (S\$'000)
72	-	-	-

Details of collateral:

The above borrowings of the Group relate to hire purchase creditor secured by way of rights to the leased asset under the agreement.



1 (c) **A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	< -----Group----- >	
	Financial year ended	
	31-Dec-10	31-Dec-09
	S\$'000	S\$'000
Cash flows from operating activities		
Profit before taxation	32,432	25,979
Adjustments :		
Depreciation of property, plant and equipment	1,328	849
Write-back of allowance for doubtful receivables	(12)	(2)
Allowance for doubtful receivables	-	56
Gain on disposal of property, plant and equipment	(627)	(633)
Impairment loss on investment securities	-	25
Fair value changes on investment properties	(1,086)	(130)
Fair value changes on investment securities	(64)	-
Gain on disposal of investment securities	(4,017)	(1,000)
Loss on liquidation of a branch	-	294
Transaction costs of listing shares	-	860
Interest income	(650)	(498)
Interest expense	1	-
Share-based compensation expenses	-	1,000
Property, plant and equipment written off	-	56
Dividend income from investment securities	(72)	(332)
Operating cash flows before working capital changes	27,233	26,524
Decrease/(increase) in inventories	116	(39)
Decrease in contract work-in-progress	(4)	(427)
(Increase)/decrease in trade receivables	(781)	4,855
Decrease/(increase) in other receivables	3,271	(3,583)
Decrease/(increase) in prepayments	5,805	(3,080)
Decrease in amount due from a joint venture	155	-
(Decrease)/increase in trade and other payables	(2,906)	5,479
Increase in progress billings in excess of work-in-progress	21,741	44,848
(Decrease)/increase in advance payment received from customer	(16,164)	6,486
Cash flows generated from operations	38,466	81,063
Interest received	650	498
Income tax paid	(4,518)	(4,756)
Net cash flows generated from operating activities	34,598	76,805
Cash flows from investing activities		
Purchases of property, plant and equipment	(2,473)	(5,091)
Construction of investment property	(8,305)	-
Purchases of investment securities	(3,205)	(7,102)
Proceeds from disposal of investment securities	8,049	2,154
Proceeds from disposal of property, plant and equipment	885	683
Net cash outflow on liquidation of a branch	-	(66)
Dividend income received from investment securities	72	332
Net cash flows used in investing activities	(4,977)	(9,090)
Cash flows from financing activities		
Dividend paid	(7,650)	(12,600)
Payments of transaction costs of listing shares	-	(1,835)
Decrease in fixed deposits, pledged	-	11,631
Repayment of obligations under finance lease	(15)	-
Proceeds from issue of shares	-	27,500
Net cash flows (used in)/generated from financing activities	(7,665)	24,696
Net increase in cash and cash equivalents	21,956	92,411
Cash and cash equivalents at the beginning of the year	143,534	51,123
Cash and cash equivalents at the end of the year	165,490	143,534



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	Foreign currency translation reserve	Merger Deficit	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 January 2010	58,956	1,000	26,274	4,240	-	(16,239)	74,231
Total comprehensive income	-	-	27,020	(4,240)	-	-	22,780
Dividend on ordinary shares	-	-	(7,650)	-	-	-	(7,650)
At 31 December 2010	58,956	1,000	45,644	-	-	(16,239)	89,361
At 1 January 2009	16,800	-	17,597	(46)	(189)	(608)	33,554
Total comprehensive income for the year	-	-	21,277	4,286	189	-	25,752
Dividend on ordinary shares *	-	-	(12,600)	-	-	-	(12,600)
Adjustment arising from restructuring exercise	15,631	-	-	-	-	(15,631)	-
Issuance of new shares pursuant to the IPO	27,500	-	-	-	-	-	27,500
Employees share-based expense	-	1,000	-	-	-	-	1,000
Share issuance expense	(975)	-	-	-	-	-	(975)
At 31 December 2009	58,956	1,000	26,274	4,240	-	(16,239)	74,231

*Note: Interim dividend for FY2009 was declared and paid prior to the restructuring exercise for the initial public offering ("IPO").

Company

	Share capital	Accumulated profits	Total equity
	S\$'000	S\$'000	S\$'000
At 1 January 2010	58,956	7,917	66,873
Total comprehensive income	-	8,834	8,834
Dividend on ordinary shares	-	(7,650)	(7,650)
At 31 December 2010	58,956	9,101	68,057
At 20 May 2009 (date of incorporation)	*	-	-
Total comprehensive income	-	7,917	7,917
Issuance of new shares on acquisition of a subsidiary company	32,431	-	32,431
Issuance of new shares pursuant to the IPO	27,500	-	27,500
Shares issuance expense	(975)	-	(975)
At 31 December 2009	58,956	7,917	66,873

* Share capital is less than S\$1,000.



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 convertibles 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 (S\$)
Issued and fully paid shares as at 31 December 2009 and at 31 December 2010	<u>509,978,991</u>	<u>58,955,729</u>

There were no changes in the Company's share capital for the financial year ended 31 December 2010.

There were no outstanding treasury shares as at 31 December 2010.

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.**

	As at 31 December 2010	As at 31 December 2009
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, the auditors' report (including any qualifications or emphasis of a matter).**

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 has applied the same accounting policies and methods of computation in preparation of financial statements for the current reporting period compared with the audited financial statements as at 31 December 2009, except for the adoption of the Financial Reporting Standards (FRS) and INT FRS that are mandatory for financial years beginning on or after 1 January 2010. The adoption of these FRS and INT FRS has no significant impact on the financial statements.



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 on 1 January 2010. The adoption of these new/revised FRS did not result in any change of 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.**

Earnings per share ("EPS")	Group	
	31/12/2010	31/12/2009
Earnings per ordinary shares for the year based on profit attributable to shareholders		
(i) Basic earnings per share (cents)	5.3	5.3
- Weighted average number of ordinary shares in issue for basic earnings per share	509,978,991	403,294,059
(ii) Diluted earnings per share (cents)	5.3	5.3
- Weighted average number of ordinary shares in issue for diluted earnings per share	509,978,991	403,294,059

Note:

In respect of FY2009, the weighted average number of ordinary shares was computed assuming 399,978,991 issued shares from 1 January 2009 to 20 December 2009 and 509,978,991 issued shares (taking into account the 110,000,000 new shares issued pursuant to the IPO) from 21 December 2009 (being the date of listing on the Mainboard of SGX-ST) to 31 December 2009.

7. **Net asset value (for the issuer and group) per ordinary share based on 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	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
NAV per ordinary share (cents)	17.5	14.6	13.3	13.1
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 2010 compared with FY 2009 Performance and segmental review

Revenue (in million)

	FY2010	%	FY2009	%
Civil Engineering	221.5	96.7	210.8	93.8
Building Material	6.9	3.1	14.0	6.2
Others	0.6	0.2	-	-
	229.0	100.0	224.8	100.0

For the year ended 31 December 2010, revenue increased by \$4.2 million (1.9%) to \$229.0 million from \$224.8 in 2009 mainly due to higher progress claims recognized from Civil Engineering segment with the construction activities of Marina Coastal Expressway and Jalan Gali Batu Depot projects picking up substantially in 2010. Building material segment recorded a significant drop in revenue as much lower volume was delivered compared to last year. Others include rental revenue from workers' dormitory.

Gross Profit (in million)

	FY2010	FY2009
Civil Engineering	30.9	22.6
Building Material	(0.6)	5.2
Others	(0.2)	-
	30.1	27.8

Gross profit increased by \$2.3 million (8.1%) to \$30.1 million from \$27.8 million. The increase in gross profit was attributable to the increase in revenue and better profit margin from the civil engineering segment with the better margin from new projects and finalization of projects for the current financial period. Building material segment was operating in a challenging environment as material cost spiked at the last quarter of the year which has caused the segment to suffer a loss for the current financial year. The workers' dormitory has just commenced its operation in November, therefore the loss was mainly due to the initial set up cost.

Other income increased by \$3.5 million to \$7.8 million from \$4.3 million. This was mainly due to the higher gain of \$3.0 million from sales of investment securities, \$1.0 million fair value gain on the investment properties in view of the fair value gain recognized from the worker dormitory, the write back of an excess provision on fine for incorrect GST declaration for import value of \$0.4 million, offset by the lower dividend income of \$0.3 million with the disposal of the investment securities, non recurrence of gain on foreign exchange of \$0.5 million recognized in FY2009 arising from the liquidation of the fixed deposit in Australian dollar.

Administrative expenses increased by \$0.2 million to \$5.3 million from \$5.1 million in 2009, The increase was mainly attributed to the higher accrual for performance bonus due to the better result.

Other operating costs decreased by \$0.7 million mainly due the loss on liquidation of Taiwan branch of \$0.3 million and provision on penalties and fines of \$0.4 million booked in 2009, while no such cost were incurred in 2010.



Profit before taxation increased by \$6.4 million to \$32.4 million from \$26.0 million. The increase was due to an increase in gross profit of \$2.3 million and other operating income of S\$3.5 million, lower other operating expenses of \$0.8 million and partially off set by the increase in administrative expenses of \$0.2 million.

Financial Position Review

The increase in non-current assets as at 31 December 2010 by \$9.7 million to \$21.7 million was mainly due to completion of the workers dormitory which was valued at \$9.1 million and the increase of property, plant and equipment of S\$1.1 million, partially offset by the utilisation of deferred tax asset of \$0.7 million.

The Group's current assets increased by \$8.4 million to \$195.1 million. This was mainly due to the higher cash balance of \$22.0 million and increase in trade receivable of \$0.8 million, partially offset by the lower investment securities in quoted shares of \$5.5 million and utilization of the prepayments to suppliers of \$5.8 million. The average trade receivable turnover days remained stable at about 30 days.

The Group's current liabilities increased by \$2.3 million to \$126.8 million. This was mainly due to the increase in progress billings in excess of work-in-progress of \$16.9 million and higher trade and other payable of \$1.1 million, increase in provisions of \$0.9 million due to the provision for the higher material cost for the remaining contractual volume for the building material segment, partially offset by the utilisation of advance payment received from customer by \$16.2 million relating to Marina Coastal Expressway and Jalan Gali Batu Depot Projects against the claims certified for the year.

Cash Flow Review

As at 31 December 2010, the Group had a cash position of \$165.5 million, the net increase in cash and cash equivalents from last financial year end was \$22.0 million, mainly due to the good business performance and positive cash flow from the ongoing projects which has generated strong cash inflow from operating activities amounted to \$34.6 million.

Net cash used in investing activities was \$5.2 million due to construction cost for the investment property of \$8.3 million, acquisition of investment securities and property, plant and equipment of \$3.2 million and \$2.5 million respectively, partially offset by the proceeds from the sales of investment securities and disposal of plant and equipment of \$0.9 million.

Net cash used in financing activities was \$7.7 million due to the payment of the final dividend proposed for FY2009.

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

There has not been any forecast previously disclosed to the shareholders.

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 know factors or events that may affect the group in the next reporting period and the next 12 months.

As at 31 December 2010, the Group's order book for on-going projects was approximately \$350 million which was mainly relating to the balance of work for Jalan Gali Batu Depot and Marina Coastal Expressway projects. The Group will continue to execute the projects on hand and bid for infrastructure projects in the pipeline. The outlook for the construction industry for the public sector is positive, however, the market is very competitive.



The Group's newly completed workers dormitory for 3,000 headcount is now operating in full capacity and mainly leased out to 3rd parties. The Group expects the dormitory to contribute positively to group result. The Group will also explore other business opportunities in property related segment to further 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
Dividend type	Cash
Dividend amount per share (in cents)	1.625 cents per ordinary shares
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)	1.5 cents per ordinary shares
Tax rate	Tax exempt (one tier)

(c) Date payable

The proposed first and final dividend, if approved at the next Annual General Meeting to be held on 27 April 2011, will be paid on 26 May 2011.

(d) Books closure date

The Share Transfer Books and Register of Members of Hock Lian Seng Holding Limited ("the Company") will be closed on 12 May 2011.

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

Not Applicable.



PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

13. Segmented revenue and results for business or geographical 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 business segments

Group	Civil Engineering \$'000	Building Materials \$'000	Others	Adjustments	Total \$'000
<u>FY2010</u>					
Revenue	221,496	6,908	616	-	229,020
Results					
Depreciation	1,283	45	-	-	1,328
Dividend income from investment securities				72	72
Fair Value (gain)/loss on investment property			(836)	(250)	(1,086)
Interest income				650	650
Segment profit	30,928	(592)	589	1,507	32,432
Assets					
Addition to non-current asset	2,643	-	9,141	-	11,784
Segment assets	198,377	2,806	9,266	6,459	216,908
Segment liabilities	118,642	1,266	2,269	5,370	127,547
<u>FY2009</u>					
Revenue	210,771	14,029	-	-	224,800
Results					
Depreciation	796	53	-	-	849
Dividend income from investment securities				332	332
Fair Value (gain)/loss on investment property				(130)	(130)
Interest income				498	498
Segment profit	22,620	5,206	-	(1,847)	25,979
Assets					
Additions to property, plant and equipment	4,773	318	-	-	5,091
Segment assets	183,217	3,629	-	11,928	198,773
Segment liabilities	117,597	1,754	-	5,191	124,542



14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Please refer to paragraph 8.

15. A breakdown of sales as follows:-

	< ----- Group ----- >		Increase/ (Decrease) (%)
	Financial Year ended 31 Dec 2010	2009	
	S\$'000	S\$'000	
(a) Sales reported for first half year	118,725	109,032	8.9%
(b) Operating profit/loss after tax before deduction minority interests reported for first half year	15,201	9,392	6.2%
(c) Sales reported for second half year	110,295	115,768	-4.7%
(d) Operating profit/loss after tax before deduction minority interests reported for second half year	11,819	11,885	-0.6%

16. 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 FY2010	Previous Full Year FY2009
Proposed first and final dividend (Tax exempt 1-tier)	8,287,159	7,649,685

17. Interested Person Transactions

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)
Lian Seng Investment Pte Ltd	\$'000 214 Being payment for office lease expense	\$'000 Nil



18. Update on use of IPO proceeds

The Company was admitted to the Official List of the SGX-ST on 21 December 2009 and raised a net proceeds of \$25.7 million. As at the date of this report, the Group has not utilized the net proceeds.

BY ORDER OF THE BOARD

CHUA LEONG HAI
Executive Chairman and CEO

22 February 2011

The initial public offering of the Company's shares was sponsored by United Overseas Bank Limited (the "Issue Manager"). The Issue Manager assumes no responsibility for the contents of this announcement.