

**Hock Lian Seng Holdings Limited**

80 Marine Parade Road
#21-08 Parkway Parade
Singapore 449269
Tel: (65) 6344 0555 Fax: (65) 6440 9049
Company Registration Number 20090890E

FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT FOR THE HALF YEAR ENDED 30 JUNE 2012

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 30.06.2012	30.06.2011	
	\$'000	\$'000	%
Revenue	51,401	80,406	-36.1%
Cost of sales	(38,198)	(65,121)	-41.3%
Gross profit	13,203	15,285	-13.6%
Other income	1,171	485	141.4%
Administrative costs	(2,076)	(2,154)	-3.6%
Changes in fair value of investment properties	(1,400)	(958)	46.1%
Changes in fair value of investment securities	(4)	(997)	-99.6%
Other operating costs	(109)	(85)	28.2%
Profit before taxation	10,785	11,576	-6.8%
Tax expenses	(1,742)	(2,002)	-13.0%
Profit after taxation	9,043	9,574	-5.5%
Attributable to: Equity holders of the Company	9,043	9,574	-5.5%

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Consolidated statement of comprehensive income

	Group	
	Half year ended	
	30/06/2012	30/06/2011
	\$'000	\$'000
Profit after taxation	9,043	9,574
Other comprehensive income	-	-
Total comprehensive income	<u>9,043</u>	<u>9,574</u>
Attributable to:		
Equity holders of the Company	<u>9,043</u>	<u>9,574</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	
	30/06/2012	30/06/2011
	\$'000	\$'000
Depreciation of property, plant and equipment	691	703
(Gain)/loss on foreign exchange	(2)	5
Gain on disposal of property, plant and equipment	(325)	(60)
Write back of allowance for doubtful receivables	-	(8)
Interest income	(746)	(331)
Interest expense	1	2
Dividend income from investment securities	-	(69)
Fair value changes on investment properties	1,400	958
Fair value changes on investment securities	4	997



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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	
	30.06.2012	31.12.2011	30.06.2012	31.12.2011
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	6,897	7,448	-	-
Subsidiary companies	-	-	35,814	34,814
Investment properties	11,400	12,800	-	-
Investment securities (non-current)	16,069	11,065	-	-
Deferred tax assets	562	684	-	-
	34,928	31,997	35,814	34,814
Current assets				
Development property	82,105	-	-	-
Contract work-in-progress	4,743	14,895	-	-
Trade receivables	16,479	18,782	-	-
Other receivables	866	3,205	-	10,082
Prepayments and deposits	6,088	23,932	-	-
Investment securities (current)	3,751	3,961	-	-
Cash and short term deposits	161,549	178,193	24,478	25,798
Pledged fixed deposits	202	202	-	-
	275,783	243,170	24,478	35,880
Current liabilities				
Trade and other payables	64,385	71,557	273	607
Obligations under finance lease	29	72	-	-
Progress billings in excess of work-in-progress	72,037	70,779	-	-
Provisions	10,748	13,045	-	-
Provision for taxation	5,579	7,521	25	19
	152,778	162,974	298	626
Net current assets	123,005	80,196	24,180	35,254
Non-current liabilities				
Long term bank loan	46,900	-	-	-
Deferred tax liabilities	40	43	-	-
	46,940	43	-	-
Net assets	110,993	112,150	59,994	70,068
Equity				
Share capital	58,956	58,956	58,956	58,956
Capital reserve	1,000	1,000	-	-
Accumulated profits	67,276	68,433	1,038	11,112
Merger deficit	(16,239)	(16,239)	-	-
Total equity	110,993	112,150	59,994	70,068



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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 2012		As at 31 December 2011	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
29	-	72	-

Amount repayable after one year

As at 30 June 2012		As at 31 December 2011	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
46,900	-	-	-

Details of collateral:

As at 30 June 2012, the Group's non-current secured borrowings of \$46.9 million relates to the Gambas industrial development project, which was secured over the development property.

The current secured borrowings of \$29,000 relate to hire purchase creditor secured by way of rights to the leased asset under the agreement.

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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	
	30.06.2012	30.06.2011
	\$'000	\$'000
Cash flows from operating activities		
Profit before taxation	10,785	11,576
Adjustments :		
Depreciation of property, plant and equipment	691	703
Write-back of allowance for doubtful receivables	-	(8)
Gain on disposal of property, plant and equipment	(325)	(60)
Fair value changes on investment properties	1,400	958
Fair value changes on investment securities	4	997
Interest income	(746)	(331)
Interest expense	1	2
Dividend income from investment securities	-	(69)
	<u>11,810</u>	<u>13,768</u>
Operating cash flows before working capital changes		
(Increase)/decrease in:		
Inventories	-	(7)
Contract work-in-progress	10,152	-
Development property	(82,105)	-
Trade receivables	2,304	6,134
Other receivables	2,213	(309)
Amount due from a joint venture partner	-	(120)
Prepayments and deposits	17,844	7
Increase/(decrease) in:		
Trade and other payables and provisions	(9,279)	(9,238)
Progress billings in excess of work-in-progress	1,258	11,994
	<u>(45,803)</u>	<u>22,229</u>
Cash flows (used in)/generated from operations		
Interest received	751	331
Income tax paid	(3,565)	(1,937)
	<u>(48,617)</u>	<u>20,623</u>
Net cash flows (used in)/ generated from operating activities		
Cash flows from investing activities		
Purchases of property, plant and equipment	(156)	(907)
Amount due from a joint venture partner (net)	(65)	-
Purchases of investment securities	(5,806)	(9,848)
Proceeds from disposal of property, plant and equipment	341	60
Proceeds from maturity of investment securities(held-to-maturity)	1,003	-
Dividend income received from investment securities	-	69
	<u>(4,683)</u>	<u>(10,626)</u>
Net cash flows (used in)/generated from investing activities		
Cash flows from financing activities		
Dividend paid	(10,200)	(8,287)
Proceeds from bank loan	46,900	-
Repayment of obligations under finance lease	(44)	(44)
	<u>36,656</u>	<u>(8,331)</u>
Net cash flows (used in)/generated from financing activities		
Net (decrease) / increase in cash and cash equivalents	(16,644)	1,666
Cash and cash equivalents, Beginning Balance	178,193	165,490
	<u>161,549</u>	<u>167,156</u>
Cash and cash equivalents, Ending Balance		

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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 \$'000	Capital reserve \$'000	Accumulated profits \$'000	Merger deficit \$'000	Total equity \$'000
At 1 January 2012	58,956	1,000	68,433	(16,239)	112,150
Total comprehensive income	-	-	9,043	-	9,043
Dividend on ordinary shares	-	-	(10,200)	-	(10,200)
At 30 June 2012	58,956	1,000	67,276	(16,239)	110,993
At 1 January 2011	58,956	1,000	45,644	(16,239)	89,361
Total comprehensive income	-	-	9,574	-	9,574
Dividend on ordinary shares	-	-	(8,287)	-	(8,287)
At 30 June 2011	58,956	1,000	46,931	(16,239)	90,648

Company

	Share capital \$'000	Accumulated profits \$'000	Total equity \$'000
At 1 January 2012	58,956	11,112	70,068
Total comprehensive income	-	126	126
Dividend on ordinary shares	-	(10,200)	(10,200)
At 30 June 2012	58,956	1,038	59,994
At 1 January 2011	58,956	9,101	68,057
Total comprehensive income	-	224	224
Dividend on ordinary shares	-	(8,287)	(8,287)
At 30 June 2011	58,956	1,038	59,994



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- 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 (\$)
Issued and fully paid shares as at 31 December 2011 and at 30 June 2012	<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 June 2012.

There were no outstanding treasury shares as at 30 June 2012.

- 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 2012	As at 31 December 2011
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 and the Company have applied the same accounting policies and methods of computation in the financial statements for the financial period ended 30 June 2012 as those in its audited financial statements for FY2011.

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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 2012. 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 ----- > Half year ended	
	30.6.2012	30.6.2011
Earnings attributable to equity holders of the Company (\$'000)	9,043	9,574
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)	1.8	1.9
Fully diluted EPS attributable to equity holders of the Company (cents)	1.8	1.9

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	
	30.6.2012	31.12.2011	30.6.2012	31.12.2011
NAV per ordinary share (cents)	21.8	22.0	11.8	13.7
Number of shares used in computation of NAV per share	509,978,991	509,978,991	509,978,991	509,978,991



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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.**

6 months 2012 compared with 6 months 2011 Performance and segmental review

Revenue

In \$' million	6M 2012	%	6M 2011	%
Civil Engineering	46.8	91.1	73.4	91.3
Building Material	-	-	2.9	3.6
Dormitory	4.6	8.9	4.1	4.1
	51.4	100.0	80.4	100.0

Revenue decreased by \$29.0 million (36%) to \$51.4 million for the financial period ended 30 June 2012, with Civil engineering segment recording a \$26.6 million (36%) drop in progress billings recognized mainly due to the substantial completion of the Marina Bay station project in 2011 and the slower progress for the Marina Coast Expressway project for the first 6 months in 2012.

Building material segment has no delivery since the completion of the last order in July 2011.

The revenue from workers dormitory business was \$0.5 million higher to \$4.6 million, due to the higher rental rate.

Gross Profit

In \$' million	6M 2012	6M 2011
Civil Engineering	10.1	12.6
Building Material	-	-
Dormitory	3.1	2.7
	13.2	15.3

Gross profit decreased by \$2.1 million (13.7%) to \$13.2 million for the current financial period with the lower turnover of the Civil Engineering segment. The gross profit for workers dormitory remained stable.

Other income increased by \$0.7 million to \$1.2 million mainly due to the higher interest income of \$0.4 million and higher gain on disposal of property, plant and equipment of \$0.3 million.

Administrative expense was marginally lower by \$0.1 million to \$2.1 million, due to a lower accrual of the performance bonuses in view of the lower profit.

The decrease in the fair value of investment properties was due to a lower valuation arising from the projected cashflows over a shorter remaining lease period.

Profit before taxation decreased by \$0.6 million to \$9.0 million, resulting mainly from the lower gross profit and a reduction in the fair value of the investment properties offset by the higher other income.



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Financial Position Review

The increase in non-current assets for the financial year ended 30 June 2012 by \$2.9 million to \$34.9 million was mainly due to the increase in the held-to-maturity financial assets, offset by the decrease in investment properties due to the lower fair value.

The Group's current assets increased by \$32.6 million to \$275.8 million. This was mainly due to the additional cost incurred for the Gambas industrial development project and the down payment for an industrial site at Kaki Bukit, offset by lower contract work-in-progress due to the release of retention by customer for completed projects and lower cash balance.

The Group's current liabilities decreased by \$10.2 million to \$152.8 million. This was mainly due to a lower trade and other payable in view of lower turnover.

The Group's non-current bank loan was due to a bank loan obtained for the financing of the land acquisition cost for the Gambas project.

Cash Flow Review

Net cash flow used in operating activities of \$48.6 million for the current financial period was mainly due to the completion of the acquisition of the Gambas site and down payment for the Kaki Bukit site awarded in June 2012.

Net cash flow used in investing activities of \$4.7 million was mainly for the acquisition of held-to-maturity financial assets.

Net cash flow generated from financing activities of \$36.7 million was mainly due to the proceed from a new bank loan, which was partially off set by dividend payment.

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

As at 30 June 2012, the Group's order book for on-going projects was approximately \$180 million which was mainly 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.

In the coming months, a number of civil engineering and infrastructure projects will be called for tenders by the Singapore Government, which the Group will participate selectively. However, the Group is expected to face stiff competition from large foreign contractors, higher construction costs and a shortage of foreign workers.

Construction for the Group's first industrial development project, a proposed nine-storey multiple user B1 light industrial development at Gambas Avenue or 'Ark@Gambas', has commenced in early August 2012. The property is located in Woodlands industrial area, minutes away from Admiralty and Sembawang MRT stations and the Seletar Expressway. The future North-South Expressway will run next to Ark@Gambas. The partial ramp-up building will house 293 units of strata units.



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The Group was awarded the tender for an industrial site at Kaki Bukit Road 5/Kaki Bukit Ave 6 for industrial building development in June 2012. The acquisition of the land is expected to be completed in September 2012.

With the strong balance sheet and cash flow position, 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 June 2012 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	\$'000 102	\$'000 Nil



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14. 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 \$25.6 million. As at the date of this report, the Group has utilized the net proceeds as follows:

The allocation of each principal intended use of proceeds is set out below:

Intended Use	Amount allocated \$'000	Amount utilized \$'000	Balance \$'000
Acquisition of central workshop	4,000	-	4,000
Acquisition of equipment and machinery	8,000	1,181	6,819
Working capital	13,600	13,600	-
Total	25,600	14,781	10,819

The Company will continue to make periodic announcement via SGXNET on the utilization of the balance of the proceeds from the IPO as and when such proceeds are materially disbursed.

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 2012 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

CHUA LEONG HAI
Executive Chairman and CEO

7 August 2012