

**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 FIRST
QUARTER ENDED 31 MARCH 2013**

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		
	First quarter ended		Change
	31.03.2013	31.03.2012	
	\$'000	\$'000	%
Revenue	28,390	22,118	28.4%
Cost of sales	(22,124)	(16,402)	34.9%
Gross profit	6,266	5,716	9.6%
Other income	395	906	-56.4%
Distribution and selling costs	(630)	-	n.m.
Administrative costs	(1,032)	(1,027)	0.5%
Changes in fair value of investment properties	(861)	(700)	n.m.
Changes in fair value of investment securities	70	511	n.m.
Other operating costs	(26)	(35)	-25.7%
Profit before taxation	4,182	5,371	-22.1%
Tax expenses	(910)	(828)	9.9%
Profit after taxation	3,272	4,543	-28.0%
Attributable to:			
Equity holders of the Company	3,272	4,543	-28.0%

n.m. : - not meaningful

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Consolidated statement of comprehensive income

	Group	
	First quarter ended	
	31.03.2013	31.03.2012
	\$'000	\$'000
Profit after taxation	3,272	4,543
Other comprehensive income:		
Available-for-sale financial assets		
- Net gain on fair value changes	(5)	-
Other comprehensive income	(5)	-
Total comprehensive income	<u>3,267</u>	<u>4,543</u>
Attributable to:		
Equity holders of the Company	<u>3,267</u>	<u>4,543</u>

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	
	31.03.2013	31.03.2012
	\$'000	\$'000
Depreciation of property, plant and equipment	319	375
Loss/(gain) on foreign exchange	-	(3)
Gain on disposal of property, plant and equipment	(41)	(319)
Write back of allowance for doubtful receivables	-	(8)
Interest income	(219)	(486)
Interest expense	-	1
Dividend income from investment securities	-	-
Fair value changes on investment properties	861	700
Fair value changes on investment securities	(70)	(511)



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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	
	31.03.2013	31.12.2012	31.12.2012	31.12.2012
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	7,235	7,388	-	-
Subsidiary companies	-	-	36,814	36,814
Investment properties	10,569	11,430	-	-
Investment securities (non-current)	19,822	19,084	-	-
Deferred tax assets	137	273	-	-
	37,763	38,175	36,814	36,814
Current assets				
Development properties	248,227	241,133	-	-
Contract work-in-progress	5,242	5,241	-	-
Trade receivables	10,382	16,369	-	-
Other receivables	154	260	10,080	10,080
Amounts due from joint venture partners	21,228	20,518	-	-
Prepayments and deposits	1,339	739	-	-
Investment securities (current)	3,136	3,856	-	-
Cash and short term deposits	130,716	111,818	23,625	23,625
	420,424	399,934	33,705	33,705
Current liabilities				
Trade and other payables	60,727	56,661	381	413
Amounts due to joint venture partners	21,144	20,372	-	-
Progress billings in excess of work-in-progress	69,348	65,166	-	-
Advance payments from customers	30,962	16,308	-	-
Provisions	7,838	8,603	-	-
Provision for taxation	5,971	5,101	15	13
	195,990	172,211	396	426
Net current assets	224,434	227,723	33,309	33,279
Non-current liabilities				
Long term bank loans	131,708	138,675	-	-
Deferred tax liabilities	7	8	-	-
	131,715	138,683	-	-
Net assets	130,482	127,215	70,123	70,093
Equity				
Share capital	58,956	58,956	58,956	58,956
Capital reserve	1,000	1,000	-	-
Fair value adjustment reserve	4	9	-	-
Accumulated profits	86,761	83,489	11,167	11,137
Merger deficit	(16,239)	(16,239)	-	-
Total equity	130,482	127,215	70,123	70,093



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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 31 March 2013		As at 31 December 2012	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
-	-	-	-

Amount repayable after one year

As at 31 March 2013		As at 31 December 2012	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
131.7	-	138.7	-

Details of collateral:

As at 31 March 2013, the Group's non-current secured borrowings of \$131.7 million was relate to property development projects, which was secured over the development properties.

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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----- >	
	First quarter ended	
	31.3.2013	31.3.2012
	\$'000	\$'000
Cash flows from operating activities		
Profit before taxation	4,182	5,371
Adjustments :		
Depreciation of property, plant and equipment	319	375
Gain on disposal of property, plant and equipment	(41)	(319)
Fair value changes on investment properties	861	700
Fair value changes on investment securities	(70)	(511)
Interest income	(219)	(486)
Operating cash flows before working capital changes	5,032	5,131
(Increase)/decrease in:		
Contract work-in-progress	(1)	-
Development property	(7,094)	(80,970)
Trade receivables	5,987	1,278
Other receivables	106	(2,289)
Prepayments and deposits	(600)	21,884
Increase/(decrease) in:		
Trade and other payables and provisions	1,376	(7,429)
Advance payments from customers	14,654	-
Progress billings in excess of work-in-progress	6,107	1,543
Cash flows (used in)/generated from operations	25,567	(60,852)
Interest received	225	490
Income tax paid	95	(2)
Net cash flows (used in)/ generated from operating activities	25,887	(60,364)
Cash flows from investing activities		
Purchases of property, plant and equipment	(237)	(96)
Amount due from a joint venture partner (net)	62	299
Purchases of investment securities	(750)	(1,804)
Proceeds from disposal of property, plant and equipment	112	336
Proceeds from maturity of investment securities(held-to-maturity)	791	1,003
Net cash flows used in investing activities	(22)	(262)
Cash flows from financing activities		
Repayment of bank loans	(6,967)	
Proceeds from bank loans	-	46,900
Repayment of obligations under finance lease	-	(22)
Net cash flows generated from/(used in) financing activities	(6,967)	46,878
Net (decrease) / increase in cash and cash equivalents	18,898	(13,748)
Cash and cash equivalents, Beginning Balance	111,818	178,193
Cash and cash equivalents, Ending Balance	130,716	164,445

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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	Capital reserve	Accumulated profits	Fair value adjustment reserve	Merger deficit	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2013	58,956	1,000	83,489	9	(16,239)	127,215
Total comprehensive income	-	-	3,272	(5)	-	3,267
Dividend on ordinary shares	-	-	-	-	-	-
At 31 March 2013	58,956	1,000	86,761	4	(16,239)	130,482
At 1 January 2012	58,956	1,000	68,433	-	(16,239)	112,150
Total comprehensive income	-	-	4,543	-	-	4,543
Dividend on ordinary shares	-	-	-	-	-	-
At 31 March 2012	58,956	1,000	72,976	-	(16,239)	116,693

Company

	Share capital	Accumulated profits	Total Equity
	\$'000	\$'000	\$'000
At 1 January 2013	58,956	11,137	70,093
Total comprehensive income	-	30	30
Dividend on ordinary shares	-	-	-
At 31 March 2013	58,956	11,167	70,123
At 1 January 2012	58,956	11,112	70,068
Total comprehensive income	-	113	113
Dividend on ordinary shares	-	-	-
At 31 March 2012	58,956	11,225	70,181



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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 convertible, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares 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.

	Number of shares	Issued and paid-up capital (\$)
Issued and fully paid shares as at 31 December 2011 and at 31 March 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 31 March 2013.

There were no outstanding treasury shares as at 31 March 2013.

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 2012	As at 31 December 2012
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 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.**

The Group and the Company have applied the same accounting policies and methods of computation in the financial statements for the financial period ended 31 March 2013 as those in its audited financial statements for FY2012.

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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 2013. 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 ----- > 3 months ended	
	31.3.2013	31.3.2012
Earnings attributable to equity holders of the Company (\$'000)	3,272	4,543
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)	0.64	0.89
Fully diluted EPS attributable to equity holders of the Company (cents)	0.64	0.89

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	
	31.3.2013	31.12.2012	31.3.2013	31.12.2012
NAV per ordinary share (cents)	25.6	24.9	13.8	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.**

3 months 2013 compared with 3 months 2012 Performance and segmental review

Revenue

In \$' million	3M 2013	%	3M 2012	%
Civil Engineering	25.9	91.2	19.8	89.6
Dormitory	2.5	8.8	2.3	10.4
	28.4	100.0	22.1	100.0

Revenue increased by \$6.3 million (28.5%) to \$28.4 million for the financial periods ended 31 March 2013, mainly due to the higher progress billing recognized for the Marina Coastal Expressway project for the current financial period.

The revenue from workers dormitory business was marginally higher by \$0.2 million to \$2.5 million.

Gross Profit

In \$' million	3M 2013	3M 2012
Civil Engineering	4.5	4.1
Building Material	-	-
Dormitory	1.8	1.6
	6.3	5.7

Gross profit has increased by \$0.6 million (9.6%) to \$6.3 million for the current financial period with the higher turnover of the Civil Engineering segment. The gross profit for workers dormitory remained stable.

Other income decreased by \$0.5 million to \$0.4 million mainly due to lower gain on disposal of property, plant and equipment of \$0.3 million and lower interest income recognized of \$0.2 million.

Distribution cost of \$0.6 million was mainly due to the sales commission incurred on units sold for the industrial development project at Ark@Gambas and Ark@KB.

The decrease in the fair value of investment properties was related to the impairment of the workers dormitory. The workers dormitory is stated at fair value determined on the discounted cash flow method estimated by management, the fair value is expected to be \$0.7 million lower with the projection of cash inflow reduced over the lease period.

The fair value of the investments in securities has improved marginally of \$0.1 million for the current financial period, which was \$0.5 million lower than corresponding period last year.

Profit before taxation decreased by \$1.2 million to \$3.3 million, resulting mainly from the recognition of the selling cost of the development properties, lower gain in the fair value of the investment securities and properties, and lower gain on disposal of plant and properties.



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Financial Position Review

Non-current assets for the financial period ended 31 March 2013 was \$0.4 million lower mainly due to the decrease in the fair value of the worker dormitory.

The Group's current assets increased by \$20.4 million to \$420.4 million. This was mainly due to the additional construction costs of \$7.1 million incurred for the developments projects and higher cash balance of \$19.2 million.

The Group's current liabilities increased by \$23.8 million to \$196.0 million. This was mainly due to the higher advance payment received for the development projects of \$14.7 million and higher trade and other payable, progress billings in excess of work-in-progress of \$8 million.

The Group's non-current bank loan has reduced by \$7 million to \$131.7 million, due to the partial prepayment of development loan.

Cash Flow Review

As at 31 March 2013, the Group had cash and cash equivalent of \$130.7 million, increased by \$18.9 million for the current financial period. The additional cash was mainly generated from the operating activities of \$25.8 million offset by the \$7 million partial settlement of bank loan.

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 full year ended 31 December 2012](#).

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 2013, the Group's order book for on-going projects of civil engineering segment was approximately \$103 million which was mainly the balance of work for Jalan Gali Batu Depot and Marina Coastal Expressway projects. In addition, the construction of the Group's two industrial development properties, namely, Ark@Gambas and Ark@KB, would be undertaken by own construction arm. The total contracts values of these 2 projects amounted to about \$96 million.

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.

On the property development front, the Singapore Government has implemented property cooling measures to both the residential and industrial property market. The Group believes that the measures would create a stable and sustainable property market in Singapore.

The basis of the revenue and profit recognition of the property developments projects would lead to volatility of the earnings of the Group. The sales of the industrial development would be recognized only upon completion in accordance with "INT FRS 115 –Agreements for the Construction of Real Estate". The construction of the two industrial properties developments



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are expected to be completed in 2014 or early 2015. The JV residential project at Dairy Farm Road is expected to be launched in 2nd half of 2013.

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/recommendeded, a statement to that effect.

No interim dividend for the financial period ended 31 March 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 51	\$'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	1,387	6,613
Working capital	13,600	13,600	-
Total	25,600	14,987	10,613

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 31 March 2013 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

CHUA LEONG HAI
Executive Chairman and CEO

9 May 2013