

HIAP SENG ENGINEERING LTD
(Company Registration No. 197100300Z)

UNAUDITED FIRST-QUARTER ENDED 30 JUNE 2019 FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT

1(a). A statement of comprehensive income (for the group) together with a comparative statement for the first quarter ended 30 June 2019

	Group		
	30-Jun-19	30-Jun-18 Restated	Increase/ (Decrease)
	S\$'000	S\$'000	%
Revenue	43,369	35,673	21.6%
Cost of services rendered	(40,906)	(33,111)	23.5%
Gross profit	2,463	2,562	(3.8%)
Gross profit margin	5.7%	7.2%	
Other income	-	1	(100.0%)
Administrative expenses	(4,108)	(4,547)	(9.7%)
Other gains-net	176	721	(75.5%)
Loss from operations	(1,469)	(1,263)	16.1%
Finance expenses	(213)	(214)	(0.5%)
Share of loss of associated companies	(14)	-	NM
Loss before income tax	(1,696)	(1,477)	14.7%
Income tax credit/(expense)	(1)	2	NM
Net loss profit after tax	(1,697)	(1,475)	14.9%
Items that may be reclassified subsequently to P&L			
Currency translation differences arising from consolidation	779	(100)	NM
Items that will not be reclassified subsequently to P&L			
Currency translation differences arising from consolidation	3	(17)	(96.2%)
Financial assets, at FVOCI			
-Fair value losses-equity investments	(1,175)	-	NM
	(394)	(117)	NM
Total comprehensive loss income for the period	(2,090)	(1,592)	31.3%
Loss attributable to:			
Equity holders of the Company	(2,105)	(1,397)	50.5%
Non-controlling interests	408	(78)	NM
	(1,697)	(1,475)	14.%
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company	(2,501)	(1,497)	67.0%
Non-controlling interests	411	(95)	NM
	(2,090)	(1,592)	31.3%

NM: Denotes not meaningful

Profit from operations included the following:

	Group	
	30-Jun-19	30-Jun-18
	S\$'000	S\$'000
(a) Other income		
Interest income	-	1
(b) Other gains/(losses)-net		
Net gain/(loss) on disposal of property, plant and equipment	22	6
Currency exchange gain –net	198	701
(c) Depreciation of property, plant and equipment	(991)	(1,121)

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-Jun-2019	31-Mar-2019	30-Jun-2019	31-Mar-2019
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Current assets				
Cash and cash equivalents	4,935	8,098	2,350	6,512
Trade and other receivables	19,763	25,435	22,469	29,085
Contract assets	22,571	22,285	16,352	17,813
Other current assets	7,008	6,281	1,126	1,762
	54,277	62,099	42,297	55,172
Non-current assets				
Club memberships	270	270	270	270
Investments in associated companies	283	297	-	-
Investments in subsidiaries	-	-	5,018	5,018
Property, plant and equipment	26,076	26,447	8,037	8,497
Available-for-sale financial assets	1,307	1,307	1,307	1,307
Deferred income tax assets	57	57	-	-
	27,993	28,378	14,632	15,092
Total assets	82,270	90,477	56,929	70,264
LIABILITIES				
Current liabilities				
Trade and other payables	32,572	36,153	29,285	35,201
Provision for onerous contracts	5,852	5,852	5,852	5,852
Contract liabilities	9,148	10,590	1,176	3,414
Current income tax liabilities	14	7	-	-
Borrowings	27,593	29,950	18,331	21,125
	75,184	82,552	54,644	65,592
Non-current liabilities				
Borrowings	367	284	-	-
Deferred income tax liabilities	926	933	478	478
	1,293	1,217	478	478
Total liabilities	76,477	83,769	55,122	66,070
NET ASSETS	5,793	6,708	1,807	4,194
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	36,178	36,178	36,178	36,178
Other reserves	970	191	(1,175)	(1,175)
Accumulated losses	(31,209)	(29,104)	(33,196)	(30,809)
Total	5,939	7,265	1,807	4,194
Minority interests	(146)	(557)	-	-
Total equity	5,793	6,708	1,807	4,194

1(b)(ii). Aggregate amount group's borrowings and debt securities

	30-Jun-2019		31-Mar-2019	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amount repayable in one year or less, or on demand	27,593	-	29,950	-
Amount repayable after one year	367	-	284	-

Details of any collaterals;

The Group's borrowings are secured against certain properties, machineries and fixed deposits of the Group.

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	
	30-Jun-19 S\$'000	30-Jun-18 S\$'000
Cash flow from operating activities:		
Total (loss)/profit	(1,697)	(1,475)
Adjustment for :		
Depreciation of property, plant and equipment	991	(285)
Amortisation of intangible assets		
Net (gain)/loss from disposal of plant and equipment	(22)	(6)
Share of loss of associated companies	14	-
Provision of impairment of trade and other receivables	74	-
Foreign exchange adjustments	569	891
Income tax (credit)/expense	1	(2)
Interest expense	213	214
Interest income	-	(1)
Operating cash flow before working capital changes	143	(664)
Changes in working capital		
Contract assets	(286)	45,691
Trade and other receivables	5,599	(51,869)
Other current assets	(726)	(368)
Contract liabilities	(1,442)	(2,799)
Trade and other payables	(3,598)	1,841
Cash used in operations	(310)	(8,168)
Income taxes (refund)/paid	(1)	5
Net cash used in operating activities	(311)	(8,163)
Cash flows from investing activities		
Purchases of property, plant and equipment	(189)	(4,691)
Proceeds from disposal of plant and equipment	23	8
Interest income received	-	1
Net cash used in investing activities	(166)	(4,682)
Cash flows from financing activities		
Repayments of lease liabilities	(42)	(57)
Proceeds from trust receipts creditors	4,068	3,188
Repayments of trust receipts creditors	(3,921)	(2,296)
Proceeds from bank borrowings	8,513	5,000
Repayment of bank borrowings	(9,388)	(1,100)
Proceeds from AR invoice financing	8,081	6,851
Repayments of AR invoice financing	(10,000)	-
Interest paid	(213)	(214)
Net cash(used in)/ provided by financing activities	(2,902)	11,372

Net decrease in cash and cash equivalents held	(3,379)	(1,473)
Cash and cash equivalents at beginning of the financial period	27	151
Effect of currency translation on cash and cash equivalents	7,629	6,683
Cash and cash equivalents at end of the financial period	4,277	5,361
Cash and cash equivalents represented by:		
Bank and cash balances	4,935	5,810
Fixed deposits with financial institutions		
Less: Bank overdrafts	(658)	(449)
Less: Restricted bank deposits		
	4,277	5,361

Reconciliation of liabilities arising from financing activities

	1-Apr-19	Principal	Repayment	Non-cash changes		30-Jun-19
				Acquisition	Foreign exchange movement	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Bank borrowings	(16,125)	(8,669)	9,544	-	-	(15,250)
Bank Financing (Trust Receipts)	(3,194)	(4,068)	3,921	-	(110)	(3,451)
Finance lease liability (Hire Purchase)	(446)	(123)	49	-	(4)	(524)
AR Invoice Financing	(10,000)	(8,131)	10,050	-	-	(8,081)

	1-Apr-18	Principal	Repayment	Non-cash changes		30-Jun-18
				Acquisition	Foreign exchange movement	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Bank borrowings	(12,500)	(5,000)	1,100	-	-	(16,400)
Bank Financing (Trust Receipts)	(3,429)	(3,188)	2,296	-	80	(4,241)
Finance lease liability (Hire Purchase)	(654)	-	57	-	4	(593)
AR Invoice Financing	-	(6,851)	-	-	-	(6,851)

1(d)(i). A statement (for the issuer and 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

Group	Share Capital	Other Reserves	Retained Earnings	Total	Minority interests	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
1QFY2020						
As at 1 Apr 2019	36,178	191	(29,104)	7,265	(557)	6,708
Total comprehensive income for the period	-	779	(2,105)	(1,326)	411	(915)

As at 30 Jun 2019	36,178	970	(31,209)	5,939	(146)	5,793
1QFY2019						
As at 1 Apr 2018	36,178	2,233	8,346	46,757	(182)	46,575
Total comprehensive income for the period	-	(100)	(1,397)	(1,497)	(95)	(1,592)
As at 30 Jun 2018	36,178	2,133	6,949	45,260	(277)	44,983

Company	Share Capital	Other Reserves	Retained Earnings	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000
1QFY2020				
As at 1 Apr 2019	36,178	(1,175)	(30,809)	4,194
Total comprehensive income for the period	-	-	(2,387)	(2,387)
As at 30 Jun 2019	36,178	(1,175)	(33,196)	1,807
1QFY2019				
As at 1 Apr 2018	36,178	-	12,014	48,192
Total comprehensive income for the period	-	-	(330)	(330)
As at 30 Jun 2018	36,178	-	11,684	47,862

1(d)(ii). Details of any changes in the company's share capital arising rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversions of other issues of equity securities, issue of shares for the 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 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

Not applicable.

1(d)(iii). To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	FY2020	FY2019
Issued & fully paid share capital		
Number of shares	303,750,000	303,750,000

1(d)(iv). A statement showing all sales, transfers, disposal, 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

These 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 matter)**
Not applicable.

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statement have been applied**

The accounting policies have been consistently applied by the Group, and are consistent with those used in the preparation of the financial statements for the financial year ended 31 March 2019 except as disclosed in paragraph 5 below.

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**

As required by the listing requirements of the Singapore Exchange, the Group has adopted Singapore Financial Reporting Standards ("SFRS") (I) on 1 April 2018 and have prepared its first set of financial information under SFRS(I)s for the financial period ended 31 March 2019. The Group's previously issued financial information for periods up to and including the financial period ended 31 December 2018 were prepared in accordance with Singapore Financial Reporting Standards ("SFRS").

In adopting SFRS(I), the Group is required to apply all the specific transition requirements in SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International). The Group has also concurrently adopted SFRS(I) 9 Financial Instruments and SFRS(I) 15 Revenue and Contracts with Customers.

The summary of changes arising from adoption of SFRS(I) on the Group's financial statements is set out as follows:

Consolidated Statement of Comprehensive Income

	Group		
	30-Jun-18	Effects of	30-Jun-18
	S\$'000	SFRS(I) 15	Restated
			S\$'000
Revenue	38,020	(2,347)	35,673
Cost of services rendered	(38,843)	5,731	(33,112)
Gross (loss)/profit	(823)	3,384	2,561
Loss attributable to:			
Equity holders of the Company	(4,801)	3,403	(1,398)
Non-controlling interests	(59)	(19)	(78)
	(4,860)	3,384	(1,476)

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 dividend**

	Group	
	30-Jun-19	30-Jun-18
		Restated
(Loss)/earnings per share (cents)		
Based on number of ordinary shares in issue (cents)	(0.69)	(0.46)
Based on fully diluted basis (cents)	(0.69)	(0.46)
Net (loss)/profit attributable to ordinary shareholders for basic earnings per share (S\$'000)	(2,105)	(1,397)

Net (loss)/profit attributable to ordinary shareholders for diluted earnings per share (S\$'000)	(2,104)	(1,398)
Weighted average number of ordinary shares in issue applicable to basic/diluted earnings per share ('000)	303,750	303,750

Note:

(a) The profit per share ("EPS") is calculated by dividing the consolidated net profit attributable to equity holders of the Company over the weighted average number of ordinary shares in issue during the financial period. Diluted profit per share are the same as basic profit per share as there are no potential dilutive ordinary shares.

(b) There was no material impact on prior period EPS on adoption of the revised FRS as discussed in paragraph 5.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	Group		Company	
	30-Jun-19	31-Mar-19	30-Jun-19	31-Mar-19
Net asset value per ordinary share (in cents) based on issued share capital as at the end of the period reported on	1.96	2.39	0.59	1.38

The calculation of the net asset value per ordinary share issued is based on 303,750,000 shares at 30 June 2019 (31 March 2019: 303,750,000). There was no material impact on prior period net asset value per share on adoption of the revised FRS as discussed in paragraph 5.

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. The review must discuss 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. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on

First Quarter (1QFY2020) Review

The Group's revenue increased by 21.6% from S\$35.7 million for 1QFY2019 to S\$43.4 million for 1QFY2020 mainly due to higher recognition of revenue.

The Group's gross profit decreased by 3.8% from S\$2.6 million for 1QFY2019 to S\$2.5 million for 1QFY2020 mainly due to higher operating costs.

The Group's administrative expenses decreased by 9.7% from S\$4.5 million in 1QFY2019 to S\$4.1 million in 1QFY2020. However, other gains decreased by 75.5% from S\$0.7 million in 1QFY2019 to S\$0.2 million in 1QFY2020 mainly due to the decrease in currency exchange gain.

The Group's net loss attributable to shareholders for 1QFY2020 increased to S\$2.1 million from S\$1.4 million for 1QFY2019 mainly due to the factors mentioned above.

Statement of Financial Position Review

The decrease of S\$5.7 million in trade and other receivables as at 30 June 2019 as compared to 31 March 2019 is mainly due to increase in collections in 1QFY2020.

The decrease of S\$3.6 million in trade and other payables as at 30 June 2019 as compared to 31 March 2019 is in line with the Group's business activities.

The total borrowings of S\$28.0 million as at 30 June 2019 had decreased by S\$2.2 million compared to S\$30.2 million as at 31 March 2019.

As at 30 June 2019, the Group's cash and cash equivalents stood at S\$4.9 million as compared to S\$8.1 million as at 31 March 2019.

Working Capital Review

As at 30 June 2019, the Group's current liabilities including borrowings from banks of S\$28.0 million exceeded current assets by S\$20.9 million. Part of the current liabilities comprised Contract liabilities of S\$9.1 million which are invoiced to customers but yet to be recognized as revenue. With the continued support from banks and the Company's proposed one-for-two rights issue of up to 151,875,000 new shares at 5 cents per share to be completed in current financial year for working capital, the Group is able to continue as a going concern.

Cash Flow Statement Review

As at 30 June 2019, the Group's cash and cash equivalents stood at S\$4.9 million as compared to S\$8.1 million as at 31 March 2019. The Group reported a net decrease in cash and cash equivalents of S\$3.2 million mainly due to net cash used in financing and operating activities of S\$2.9 million and S\$0.3 million respectively.

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

Not applicable.

10. A commentary at the date of 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

The outlook for process sector of the oil-and-gas industry is showing signs of improvement. The Group will continue to further control costs, secure new projects and improve productivity.

As at the date of this announcement, the Group's outstanding order book stands at S\$118 million.

11. If a decision regarding dividend has been made:

(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? No.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived (if the dividend is not taxable in the hands of shareholders, this must be stated)

Not applicable.

(d) Date payable

Not applicable.

(e) Books closure date

Not applicable.

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

No dividend has been recommended for the period ended 30 June 2019.

The Company wishes to reserve adequate resources for the Company's ongoing projects.

13. **If the Group has obtained a general mandate from shareholders for interested person transactions (“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.**

The Group does not have any interested person transaction and no IPT mandate has been obtained.

14. **Statement by Directors
Pursuant to Rule 705(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited**

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the interim unaudited financial statements of Hiap Seng Engineering Ltd for the first quarter ended 30 June 2019 presented in this announcement to be false or misleading in any material aspects.

15. **Confirmation of Undertakings from Directors and Executive Officers**

The Company has procured undertakings from all its directors and executive officers under Rule 720(1) of the Listing Manual.

By order of the board

**TAN HAK JIN
Joint Company Secretary
14 August 2019**