

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

**UNAUDITED SECOND QUARTER AND FIRST HALF FY2017 FINANCIAL STATEMENT
AND DIVIDEND ANNOUNCEMENT**

1(a). A statement of comprehensive income (for the group) together with a comparative statement for the second quarter and the first half year ended 30 September 2016

	Group			Group		
	2QFY17	2QFY16	Increase/ (Decrease)	1HFY17	1HFY16	Increase/ (Decrease)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Turnover	51,128	29,148	75.4%	90,509	62,159	45.6%
Cost of sales	(46,531)	(24,289)	91.6%	(78,862)	(50,746)	55.4%
Gross profit	4,597	4,859	(5.4%)	11,647	11,413	2.1%
Gross profit margin	9.0%	16.7%		12.9%	18.4%	
Other income	3	28	(89.3%)	13	35	(62.9%)
Administrative costs	(4,482)	(4,721)	(5.1%)	(9,429)	(9,045)	4.2%
Other gain- net	451	1,068	(57.8%)	456	751	(39.3%)
Profit from operations	569	1,234	(53.9%)	2,687	3,154	(14.8%)
Finance costs	(31)	(19)	63.2%	(53)	(65)	(18.5%)
Share of profit of associated companies	(2)	10	NM	11	26	(57.7%)
Profit before tax	536	1,225	(56.2%)	2,645	3,115	(15.1%)
Income tax credit/(expense)	46	(114)	NM	(42)	(182)	(76.9%)
Net profit after tax	582	1,111	(47.6%)	2,603	2,933	(11.3%)
Other comprehensive income						
Foreign currency translation	336	1,296	(74.1%)	1,702	1,597	6.6%
Total comprehensive profit for the period	918	2,407	(61.9%)	4,305	4,530	(5.0%)
Profit/(loss) attributable to:						
Owner of the parent	871	1,161	(25.0%)	3,331	3,072	8.4%
Non-controlling interests	(289)	(50)	NM	(728)	(139)	NM
	582	1,111	(47.6%)	2,603	2,933	(11.3%)
Total comprehensive profit/(loss) attributable to:						
Owner of the parent	1,193	2,464	(51.6%)	5,019	4,701	6.8%
Non-controlling interests	(275)	(57)	NM	(714)	(171)	NM
	918	2,407	(61.9%)	4,305	4,530	(5.0%)

NM: Denotes not meaningful

Profit from operations included the following:

	Group		Group	
	2QFY17 S\$'000	2QFY16 S\$'000	1HFY17 S\$'000	1HFY16 S\$'000
(a) Other income				
Interest income	3	28	13	35
(b) Other gains/(losses)- net				
Net gain/(loss) on disposal of property, plant and equipment	1	(5)	23	(10)
Currency exchange gain-net	439	871	367	555
(c) Administrative expenses				
Bad debt (provided)/ recovered	-	(10)	(575)	268
(d) Depreciation of property, plant and equipment	(932)	(918)	(1,789)	(1,823)
(e) Amortisation of intangible assets	(79)	(30)	(158)	(60)

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-Sept-2016 S\$'000	31-Mar-2016 S\$'000	30-Sept-2016 S\$'000	31-Mar-2016 S\$'000
ASSETS				
Current assets				
Cash and cash equivalents	16,444	13,457	12,110	9,714
Trade and other receivables	60,417	61,752	69,270	70,421
Contract work-in-progress	8,326	6,699	6,587	6,021
Other current assets	2,215	2,760	1,669	1,773
	87,402	84,668	89,636	87,929
Non-current assets				
Club memberships	386	386	321	321
Investments in associated companies	359	372	109	109
Investments in subsidiaries	-	-	14,620	14,775
Property, plant and equipment	21,478	21,687	7,027	6,770
Available-for-sale financial assets	2,482	2,482	2,482	2,482
Deferred income tax assets	109	60	-	-
Intangible assets	6,225	6,383	-	-
	31,039	31,370	24,559	24,457
Total assets	118,441	116,038	114,195	112,386
LIABILITIES				
Current liabilities				
Trade and other payables	44,766	44,777	42,002	42,500
Current income tax liabilities	28	265	12	2
Borrowings	6,494	4,998	420	769
	51,288	50,040	42,434	43,271
Non-current liabilities				
Borrowings	149	218	37	102
Deferred income tax liabilities	1,283	1,327	362	362
	1,432	1,545	399	464
Total liabilities	51,720	51,585	42,833	43,735
NET ASSETS	65,721	64,453	71,362	68,651
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	36,178	36,178	36,178	36,178
Other reserves	1,609	(79)	-	-
Retained earnings	27,139	26,845	35,184	32,473
Total	64,926	62,944	71,362	68,651
Minority interests	795	1,509	-	-
Total equity	65,721	64,453	71,362	68,651

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

	30-Sept-2016		31-Mar-2016	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amount repayable in one year or less, or on demand	6,494	-	4,998	-
Amount repayable after one year	149	-	218	-

Details of any collaterals;

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

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		Group	
	2Q FY 17 S\$'000	2Q FY 16 S\$'000	1H FY 17 S\$'000	1H FY 16 S\$'000
Cash flows from operating activities:				
Total profit	582	1,111	2,603	2,933
Adjustments for :				
Depreciation of property, plant and equipment	932	918	1,789	1,823
Amortisation of intangible assets	79	30	158	60
Net loss/(gain) on disposal of property, plant and equipment	(1)	5	(23)	10
Allowance for impairment of trade and other receivables	-	278	575	-
Share of profit of associated companies	-	(10)	(13)	(26)
Foreign exchange adjustments	(36)	1,452	1,402	2,260
Income tax expense	(46)	114	42	182
Interest expense	31	19	53	65
Interest income	(3)	(28)	(13)	(35)
Operating cash flow before working capital changes	1,538	3,889	6,573	7,272
Change in working capital				
Contract work-in-progress	1,620	(2,546)	(1,627)	(3,178)
Trade and other receivables	(2,168)	6,772	760	20,639
Other current assets	(404)	21	545	(1,005)
Trade and other payables	2,738	(4,602)	(11)	(11,306)
Cash generated from/(used in) operations	3,324	3,534	6,240	12,422
Income taxes (paid)/refund	34	(342)	(369)	(359)
Net cash inflow/(outflow) from operating activities	3,358	3,192	5,871	12,063
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	36	98	60	94
Purchases of property, plant and equipment	(703)	(426)	(1,298)	(971)
Interest income received	3	28	13	35
Net cash outflow from investing activities	(664)	(300)	(1,225)	(842)
Cash flows from financing activities				
Dividend paid	(3,038)	(1,519)	(3,038)	(1,519)
Decrease in bank deposits pledged	(13)	(68)	(13)	(42)
Hire purchase creditors	(232)	(193)	(450)	(401)

Trust receipts creditors	65	(383)	1,151	(346)
Proceeds from / (repayment) to bank borrowing	4,783	(856)	275	(5,000)
Interest paid	(31)	(19)	(53)	(65)
Net cash (outflow)/inflow from financing activities	1,534	(3,038)	(2,128)	(7,373)
Net increase/(decrease) in cash and cash equivalents held	4,228	(146)	2,518	3,848
Effect of exchange rate change on cash and cash equivalents	1	40	12,287	247
Cash and cash equivalents at beginning of the financial period	98	20,964	77	16,763
Cash and cash equivalents at end of the financial period	4,327	20,858	14,882	20,858
Cash and cash equivalents represented by:				
Bank and cash balances	4,430	9,852	15,251	9,852
Fixed deposits with financial institutions	13	12,250	1,193	12,250
Less: Bank overdrafts	(13)	(21)	(1,173)	(21)
Less: Restricted bank deposits	(103)	(1,223)	(389)	(1,223)
	4,327	20,858	14,882	20,858

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
1QFY2017						
As at 1 Apr 2016	36,178	(79)	26,846	62,945	1,509	64,454
Total comprehensive income for the period	-	1,366	2,460	3,826	(439)	3,387
As at 30 Jun 2016	36,178	1,287	29,306	66,771	1,070	67,841
2QFY2017						
Total comprehensive income for the period	-	322	871	1,193	(275)	918
Dividend relating to FY2016 paid	-	-	(3,038)	(3,038)	-	(3,038)
As at 30 Sept 2016	36,178	1,609	27,139	64,926	795	65,721
1QFY2016						
As at 1 Apr 2015	36,178	707	22,319	59,204	1,992	61,196
Total comprehensive income for the period	-	326	1,911	2,237	(114)	2,123
As at 30 Jun 2015	36,178	1,033	24,230	61,441	1,878	63,319
2QFY2016						
Total comprehensive income for the period	-	1,303	1,161	2,464	(57)	2,407
Dividend relating to FY2015 paid	-	-	(1,519)	(1,519)	-	(1,519)
As at 30 Sept 2015	36,178	2,336	23,872	62,386	1,821	64,207

Company	Share Capital S\$'000	Retained Earnings S\$'000	Total Equity S\$'000
1QFY2017			
As at 1 Apr 2016	36,178	32,473	68,651
Total comprehensive income for the period	-	3,729	3,729
As at 30 Jun 2016	36,178	36,202	72,380
2QFY2016			
Total comprehensive income for the period	-	2,020	2,020
Dividend relating to FY2016 paid	-	(3,038)	(3,038)
As at 30 Sept 2016	36,178	35,184	71,362
1QFY2016			
As at 1 Apr 2015	36,178	31,063	67,241
Total comprehensive income for the period	-	(815)	(815)
As at 30 Jun 2015	36,178	30,248	66,426
2QFY2016			
Total comprehensive income for the period	-	642	642
Dividend relating to FY2015 paid	-	(1,519)	(1,519)
As at 30 Sept 2015	36,178	29,371	65,549

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 immediate preceding year.

	FY 2017	FY 2016
Issued & fully paid share capital		
Number of shares as at 30 September and 1 April	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 statements 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 2016 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

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 April 2016 and which the Group has not early adopted:

FRS 1 Presentation of financial statements (effective for annual periods beginning on or after 1 January 2016).The amendment clarifies guidance in FRS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. This amendment is not expected to have any significant impact on the financial statements of the Group.

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:

	Group		Group	
	2Q FY17	2Q FY16	1H FY17	1H FY16
Earnings per share (cents) Based on number of ordinary shares on issue (cents)	0.29	0.38	1.10	1.01
On fully diluted basis (cents)	0.29	0.38	1.10	1.01
Net profit attributable to ordinary shareholders for basic earnings per share (S\$'000)	871	1,161	3,331	3,072
Net profit attributable to ordinary shareholders for diluted earnings per share (S\$'000)	871	1,161	3,331	3,072
Weighted average number of ordinary shares in issue applicable to basic/diluted earnings per share ('000)	303,750	303,750	303,750	303,750

Notes:

(a)The earnings 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.

(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 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-Sept-16	31-Mar-2016	30-Sept-16	31-Mar-2016
Net asset value per ordinary share (in cents) based on issued share capital as at the end of the period reported on	21.4	20.7	23.5	22.6

The calculation of the net asset value per ordinary share issued is based on 303,750,000 shares at 30 Sept 2016 (31 March 2015: 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**

Second Quarter (2QFY2017) Review

The Group's revenue for 2QFY2017 increased by 75.4% from S\$29.1 million to S\$51.1 million as compared to 2QFY2016 mainly due to higher recognition of plant construction and maintenance revenue in 2QFY2017. The gross profit, however, decreased from S\$4.9 million to S\$4.6 million mainly due to higher operating costs.

The Group's net profit attributable to shareholders declined by 25.0% from S\$1.2 million to S\$0.9 million as compared to 2QFY2016 mainly due to the factors mentioned above.

First Half (1HFY2017) Review

The Group's revenue for 1HFY2017 increased by 45.6% from S\$62.2 million to S\$90.5 million as compared to 1HFY2016 mainly due to higher recognition of plant construction and maintenance revenue in 1HFY2017. The gross profit increased marginally by only 2.1% from S\$11.4 million to S\$11.6 million due to higher operating costs in 2QFY2017.

The Group's net profit attributable to shareholders increased by 8.4% from S\$3.1 million to S\$3.3 million as compared to 1HFY2016 mainly due to the factors mentioned above.

Statement of Financial Position Review

The decrease of S\$1.3 million in trade and other receivables as at 30 September 2016 as compared to 31 March 2016 is mainly due to higher collections in 1HFY2017.

The increase of S\$1.6 million in contract work-in-progress as at 30 September 2016 as compared to 31 March 2016 is in line with the Group's project schedules.

As at 30 September 2016, the Group's cash and cash equivalents stood at S\$16.4 million as compared to S\$13.5 million as at 31 March 2016.

- 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**

Barring unforeseen circumstances, the Directors of the Company are cautiously optimistic about the Group's performance for the current financial year ending 31 March 2017 in spite of the uncertain market conditions of the oil-and-gas industry. The Group will continue to control costs and take steps to improve productivity and look for other business opportunities.

As at the date of this announcement, the Group's outstanding order book stands at S\$101 million.

11. Dividend

(a) Current financial period reported on

Any dividend declared for the current financial period reported on? Yes

Name of dividend	Interim
Dividend type	Cash
Dividend rate	0.5 cent per ordinary share
Tax rate	One –tier tax exempt

(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)

Refer to 11(a).

(d) Date payable

The above-mentioned interim cash dividend is expected to be paid on 25 January 2017.

(e) Books closure date

NOTICE IS HEREBY GIVEN that the Company's Share Transfer Books and Register of Members will be closed on 18 January 2017 to determine shareholders' entitlement to the interim one-tier tax exempt dividend of 0.5 cent per ordinary share for the year ending 31 March 2017.

Duly completed registrable transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623 up to 5:00 p.m. on 18 January 2017 will be registered to determine shareholders' entitlement to the said dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5:00 p.m. on 18 January 2017 will be entitled to the proposed dividend.

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

Not applicable

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 second quarter and the half year ended 30 September 2016 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
9 November 2016**



HIAP SENG ENGINEERING LTD

(Incorporated in the Republic of Singapore)
(Company Registration No. 197100300Z)

NEWS RELEASE

HIAP SENG'S RESULTS ANNOUNCEMENT FOR 2QFY2017 AND 1HFY2017

Singapore, November 9, 2016 – Hiap Seng Engineering Ltd (“Hiap Seng” or the “Group”), a specialist integrated engineering group for the oil-and-gas, petrochemical and pharmaceutical industries, today announced a 75.4% increase in revenue to S\$51.1 million for the second quarter ended September 30, 2016 (“2QFY2017”).

The topline growth in 2QFY2017, up from S\$29.1 million in the previous corresponding quarter (“2QFY2016”), was achieved mainly due to a higher recognition of plant construction and maintenance revenue. Gross profit, however, dropped 5.4% to S\$4.6 million mainly due to higher operating costs. Consequently, the Group’s net profit attributable to shareholders slid to S\$0.9 million in 2QFY2017 from S\$1.2 million in 2QFY2016.

For the six months ended September 30, 2016 (“1HFY2017”), the Group’s revenue grew 45.6% to S\$90.5 million from S\$62.2 million in the previous corresponding period (“1HFY2016”). Net profit attributable to shareholders took impact from higher operating costs, increasing 8.4% to S\$3.3 million in 1HFY2017.

Mr. Frankie Tan, Chairman and CEO of Hiap Seng said, “We are pleased to have delivered an improved revenue performance this quarter. We will remain firmly focused on productivity and cost management initiatives to navigate well amidst a prolonged slowdown in the oil-and-gas sector.”

As at September 30, 2016, the Group's cash and cash equivalents stood at S\$16.4 million while its net cash position was S\$9.8 million, an improvement from S\$8.2 million as at March 31, 2016.

Hiap Seng has an outstanding order book of S\$101 million as at November 9, 2016.

To reward shareholders, Hiap Seng has declared an interim, one-tier tax exempt cash dividend of 0.5 cent per ordinary share, which is expected to be paid on 25 January 2017.

Outlook

Barring any unforeseen circumstances in this uncertain macro-economic and market conditions, the Directors of the Group continue to be cautiously optimistic on Hiap Seng's performance for the financial year ending March 31, 2017.

Mr. Frankie Tan added, "While the oil-and-gas industry is in a down-cycle, the current oil glut situation has led to a demand for storage facilities around the world which will benefit downstream providers like ourselves. We will continue to manage our operations prudently and seek to expand on opportunities where we have operations in, such as Singapore, Malaysia, Thailand and Vietnam, where petrochemical plants and refineries are being constructed and maintained."

Corporate Profile

Established in 1971 and a Mainboard-listed company, Hiap Seng is a specialist integrated engineering group for the oil-and-gas, petrochemical and pharmaceutical industries and is one of Singapore's leading engineering groups serving the oil-and-gas, petrochemical and pharmaceutical industries.

The Group provides engineering services covering engineering, procurement & construction (EPC) projects and plant maintenance services for the oil-and-gas, petrochemical, and pharmaceutical industries in Singapore and beyond.

The Group operates five well-equipped fabrication yards in Singapore and Thailand with a total land area of about 2.2 million sq ft and a workforce of about 1,500 well-trained and skilled employees.

ISSUED ON BEHALF OF : Hiap Seng Engineering Ltd.
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For CDRi.MAGE

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November 9, 2016