



HIAP SENG ENGINEERING LTD

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

NEWS RELEASE

HIAP SENG'S RESULTS ANNOUNCEMENT FOR 1QFY2019

Singapore, August 13, 2018 – Hiap Seng Engineering Ltd (“Hiap Seng” or the “Group”), a specialist integrated engineering group for the oil-and-gas, petrochemical and pharmaceutical industries, today reported a revenue of S\$38.0 million and a net loss attributable to shareholders of S\$3.9 million for the first quarter ended June 30, 2018 (“1QFY2019”).

The 4.9% higher Group revenue was mainly due to an increase in recognition of plant construction revenue in 1QFY2019. However, the higher than expected operating costs led the Group to register a gross loss of S\$0.8 million for 1QFY2019, down from a gross profit of S\$5.3 million for 1QFY2018. The gross loss coupled with the 17.8% rise in administrative expenses to S\$4.5 million in 1QFY2019, which arose from the consolidation of acquired scaffolding business and plant construction and maintenance business in the Middle East, contributed to the Group’s net loss attributable to shareholders of S\$3.9 million for the financial quarter under review.

Mr. Frankie Tan, Executive Chairman of Hiap Seng said, “While our financial performance continued to be undermined by increased costs and competition, we have taken steps to steer growth over the medium to long term. These include investing in automation to improve productivity and reduce reliance on foreign labour, as well as identification of business opportunities in new and existing markets. However, these opportunities are expected to translate into contracts and commence towards the end of FY2019.”

The Group has an outstanding order book of S\$115 million as at August 13, 2018.

Outlook

As the environment for the oil-and-gas industry continues to remain challenging in the near term, the Directors of the Company will continue to seek suitable opportunities in new markets to mitigate any slowdown in the oil-and-gas sector of the traditional markets.

Mr. Frankie Tan added, “In light of a challenging landscape that we expect to continue over the next few quarters, we will remain prudent in our cost measures and also focus on managing projects more effectively to ensure sustainable operating performance. At the same time, we will leverage on our strengths and proven track record to capture opportunities to strengthen our order book.”

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 1,200 well-trained and skilled employees.

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For CDR

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August 13, 2018

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

UNAUDITED FIRST-QUARTER 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 2018

	Group		
	30-Jun-18	30-Jun-17	Increase/ (Decrease)
	S\$'000	S\$'000	%
Revenue	38,020	36,233	4.9%
Cost of services rendered	(38,843)	(30,955)	25.5%
Gross profit	(823)	5,278	NM
Gross profit margin	-2.1%	14.6%	
Other income	1	91	(98.9%)
Administrative expenses	(4,547)	(3,861)	17.8%
Other gains-net	721	112	NM
(Loss)/profit from operations	(4,648)	1,620	NM
Finance expenses	(214)	(35)	NM
Share of profit of associated companies	-	(4)	NM
(Loss)/profit before income tax	(4,862)	1,581	NM
Income tax credit/(expense)	890	(16)	NM
Net (loss)/profit after tax	(3,972)	1,565	NM
Other comprehensive income			
(Loss)/gain from foreign currency translation	(82)	669	NM
Total comprehensive (loss)/income for the period	(4,054)	2,234	NM
(Loss)/profit attributable to:			
Owners of the parent	(3,913)	1,629	NM
Minority interests	(59)	(64)	(7.8%)
	(3,972)	1,565	NM
Total comprehensive (loss)/income attributable to:			
Owners of the parent	(4,002)	2,298	NM
Minority interests	(52)	(64)	(18.8%)
	(4,054)	2,234	NM

NM: Denotes not meaningful

Profit from operations included the following:

	Group	
	30-Jun-18	30-Jun-17
	S\$'000	S\$'000
(a) Other income		
Interest income	1	91
(b) Other gains/(losses)-net		
Net gain/(loss) on disposal of property, plant and equipment	6	(12)
Currency exchange gain –net	701	119
(c) Depreciation of property, plant and equipment	(1,121)	(883)

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-2018 S\$'000	31-Mar-2018 S\$'000	30-Jun-2018 S\$'000	31-Mar-2018 S\$'000
ASSETS				
Current assets				
Cash and cash equivalents	5,810	8,355	2,716	4,953
Trade and other receivables	59,575	43,084	64,176	46,850
Contract work-in-progress	8,205	9,741	6,297	5,898
Other current assets	4,410	4,042	1,734	2,608
	78,000	65,222	74,923	60,309
Non-current assets				
Club memberships	319	319	319	319
Investments in associated companies	310	310	-	-
Investments in subsidiaries	-	-	10,538	10,538
Property, plant and equipment	27,847	22,997	8,205	4,555
Available-for-sale financial assets	2,482	2,482	2,482	2,482
Deferred income tax assets	105	105	-	-
Intangible assets	503	503	-	-
	31,566	26,716	21,544	17,894
Total assets	109,566	91,938	96,467	78,203
LIABILITIES				
Current liabilities				
Trade and other payables	42,230	31,069	37,214	26,378
Current income tax liabilities	23	14	-	-
Borrowings	28,134	16,684	18,260	7,518
	70,387	47,767	55,474	33,896
Non-current liabilities				
Borrowings	400	444	-	-
Deferred income tax liabilities	80	975	478	478
	480	1,419	478	478
Total liabilities	70,867	49,186	55,952	34,374
NET ASSETS	38,699	42,752	40,515	43,829
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	36,178	36,178	36,178	36,178
Other reserves	2,122	2,210	-	-
Retained earnings	480	4,391	4,337	7,651
Total	38,780	42,779	40,515	43,829
Minority interests	(81)	(27)	-	-
Total equity	38,699	42,752	40,515	43,829

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

	30-Jun-2018		31-Mar-2018	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amount repayable in one year or less, or on demand	28,134	-	16,684	-
Amount repayable after one year	400	-	444	-

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-18 S\$'000	30-Jun-17 S\$'000
Cash flow from operating activities:		
Total (loss)/profit	(3,972)	1,565
Adjustment for :		
Depreciation of property, plant and equipment	1,121	883
Amortisation of intangible assets	-	-
Net (gain)/loss from disposal of plant and equipment	(6)	12
Share of loss of associated companies	-	4
Provision of impairment of trade and other receivables	-	50
Foreign exchange adjustments	(479)	759
Income tax (credit)/expense	(890)	16
Interest expense	214	35
Interest income	(1)	(91)
Operating cash flow before working capital changes	(4,013)	3,233
Changes in working capital		
Contract work-in-progress	1,536	1,032
Trade and other receivables	(16,491)	(9,183)
Other current assets	(368)	271
Trade and other payables	11,171	3,352
Cash used in operations	(8,165)	(1,295)
Income taxes (refund)/paid	5	(45)
Net cash used in operating activities	(8,160)	(1,340)
Cash flows from investing activities		
Purchases of property, plant and equipment	(4,691)	(219)
Proceeds from disposal of plant and equipment	8	1
Interest income received	1	91
Net cash used in investing activities	(4,682)	(127)
Cash flows from financing activities		
Repayments of lease liabilities	(57)	(79)
Proceeds from trust receipts creditors	892	478
Proceeds from bank borrowings	5,000	-
Repayment of bank borrowings	(1,100)	7
Proceeds from AR invoice financing	6,851	-
Interest paid	(214)	(35)
Net cash provided by financing activities	11,372	371
Net decrease in cash and cash equivalents held	(1,470)	(1,096)
Cash and cash equivalents at beginning of the financial period	6,683	8,446
Effect of currency translation on cash and cash equivalents	148	(40)
Cash and cash equivalents at end of the financial period	5,361	7,310
Cash and cash equivalents represented by:		
Bank and cash balances	5,810	7,298
Fixed deposits with financial institutions	-	1,207
Less: Bank overdrafts	(449)	(12)
Less: Restricted bank deposits	-	(1,183)
	5,361	7,310

Reconciliation of liabilities arising from financing activities

	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
1QFY2019						
As at 1 Apr 2018	36,178	2,211	4,393	42,782	(29)	42,753
Total comprehensive income for the period	-	(89)	(3,913)	(4,002)	(52)	(4,054)
As at 30 Jun 2018	36,178	2,122	480	38,780	(81)	38,699
1QFY2018						
As at 1 Apr 2017	36,178	1,294	24,761	62,233	640	62,873
Total comprehensive income for the period	-	669	1,629	2,298	(64)	2,234
As at 30 Jun 2017	36,178	1,963	26,390	64,531	576	65,107

Company	Share Capital	Retained Earnings	Total Equity
	S\$'000	S\$'000	S\$'000
1QFY2019			
As at 1 Apr 2018	36,178	7,651	43,829
Total comprehensive income for the period	-	(3,314)	(3,314)
As at 30 Jun 2018	36,178	4,337	40,515
1QFY2018			
As at 1 Apr 2017	36,178	25,440	62,618
Total comprehensive income for the period	-	1,032	1,032
As at 30 Jun 2017	36,178	27,472	63,650

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.

	FY2019	FY2018
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 2018 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

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited annual financial statements for the year ended 31 March 2018, except for the adoption of new and revised Financial Reporting Standards (FRS) which are effective for financial periods beginning on or after 1 April 2018.

The adoption of the new or revised standards from the effective date did not result in material adjustments to the financial position, results of operations or cash flows for the period ended 30 June 2018 and did not have 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 dividend

	Group	
	30-Jun-18	30-Jun-17
(Loss)/earnings per share (cents)		
Based on number of ordinary shares in issue (cents)	(1.29)	0.54
Based on fully diluted basis (cents)	(1.29)	0.54
Net (loss)/profit attributable to ordinary shareholders for basic earnings per share (S\$'000)	(3,913)	1,629
Net (loss)/profit attributable to ordinary shareholders for diluted earnings per share (S\$'000)	(3,913)	1,629
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-18	31-Mar-18	30-Jun-18	31-Mar-18
Net asset value per ordinary share (in cents) based on issued share capital as at the end of the period reported on	12.8	14.1	13.3	14.4

The calculation of the net asset value per ordinary share issued is based on 303,750,000 shares at 30 June 2018 (31 March 2018: 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 (1QFY2019) Review

The Group's revenue increased by 4.9% from S\$36.2 million for 1QFY2018 to S\$38.0 million for 1QFY2019 mainly due to higher recognition of plant construction revenue in 1QFY2019. The gross loss amounted to S\$0.8 million for 1QFY2019 as compared to a gross profit of S\$5.3 million for 1QFY2018 mainly due to higher than expected operating costs.

The Group's administrative expenses increased by 17.8% from S\$3.9 million in 1QFY2018 to S\$4.5 million in 1QFY2019 mainly due to consolidation of acquired scaffolding business and plant construction and maintenance business in the Middle East.

The Group's net loss attributable to shareholders for 1QFY2019 amounted to S\$3.9 million as compared to a net profit of S\$1.6 million for 1QFY2018 mainly due to the factors mentioned above.

Statement of Financial Position Review

The increase of S\$16.5 million in trade and other receivables as at 30 June 2018 as compared to 31 March 2018 is mainly due to increase in billings and slow collections in 1QFY2019.

The increase of S\$4.8 million in property, plant and equipment as at 30 June 2018 as compared to 31 March 2018 is mainly due to new purchases of plant and equipment for the Group's business.

The increase of S\$11.2 million in trade and other payables as at 30 June 2018 as compared to 31 March 2018 is in line with the Group's business activities.

The total borrowings of S\$28.5 million as at 30 June 2018 had increased by S\$11.4 million compared to S\$17.1 million as at 31 March 2018 for working capital.

As at 30 June 2018, the Group's cash and cash equivalents stood at S\$5.8 million as compared to S\$8.4 million as at 31 March 2018.

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

As the environment for the oil-and-gas industry continues to remain challenging, the Directors of the Company are seeking suitable opportunities in new markets to mitigate any slowdown in the oil-and gas sector of the traditional markets. The Group will continue to further control costs and take steps to improve productivity.

As at the date of this announcement, the Group's outstanding order book stands at S\$115 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/recommendeded, a statement to that effect

No dividend has been recommended for the period ended 30 June 2018.

- 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 2018 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
13 August 2018**