



HIAP SENG ENGINEERING LTD

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

NEWS RELEASE

HIAP SENG'S RESULTS ANNOUNCEMENT FOR 2QFY2019 AND 1HFY2019

Singapore, 14 November 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\$34.2 million and a net loss attributable to shareholders of S\$19.3 million for the second quarter ended 30 September 2019 (“2QFY2019”).

The 12.1% higher Group revenue was mainly due to higher recognition of plant construction revenue in 2QFY2019. However, the higher than expected operating costs as a result of cost overrun mainly caused by a delay in project work commencement, led the Group to register a gross loss of S\$14.1 million for 2QFY2019, as compared to a gross loss of S\$0.6 million for 2QFY2018. The gross loss, coupled with the 20.1% rise in administrative expenses to S\$5.1 million in 2QFY2019, which arose from the consolidation of the acquired scaffolding business and setting up of the plant construction and maintenance business in the Middle East, contributed to the Group’s net loss attributable to shareholders of S\$19.3 million for the financial quarter under review.

For the six months ended 30 September 2018 (“1HFY2019”), the Group’s revenue rose 8.2% to S\$72.2 million from S\$66.7 million in the previous corresponding period (“1HFY2018”). The Group registered a net loss attributable to shareholders of S\$24.1 million in 1HFY2019.

Mr. Frankie Tan, Executive Chairman of Hiap Seng said, “We will continue to pursue cost controls and take active steps to improve productivity. We also remain focused on expanding our engineering capabilities whilst exploring potential business opportunities, both domestically and regionally, so as to diversify and widen both our customer and revenue base.”

The Group has an outstanding order book of S\$142 million as at 14 November 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, “To stay resilient in a challenging environment, we will continue to place a strong emphasis on product quality, timely deliveries, cost efficiencies and optimal resource allocation. We will also remain vigilant in monitoring our operating costs to ensure profitability of our projects and continue to capture opportunities in new and existing markets 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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14 November 2018

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

**UNAUDITED SECOND QUARTER AND FIRST HALF FY2019 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 2018

	Group			Group		
	2QFY19	2QFY18	Increase/ (Decrease)	1HFY19	1HFY18	Increase/ (Decrease)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Turnover	34,204	30,509	12.1%	72,224	66,742	8.2%
Cost of sales	(48,287)	(31,150)	55.0%	(87,130)	(62,105)	40.3%
Gross (loss)/profit	(14,083)	(641)	NM	(14,906)	4,637	NM
Gross (loss)/profit margin	-41.2%	-2.1%		-20.6%	6.9%	
Other income	-	13	NM	1	104	(99.0%)
Administrative costs	(5,083)	(4,231)	20.1%	(9,630)	(8,092)	19.0%
Other (losses)/gains- net	(324)	1,141	NM	397	1,253	(68.3%)
Loss from operations	(19,490)	(3,718)	NM	(24,138)	(2,098)	NM
Finance costs	(170)	(58)	NM	(384)	(93)	NM
Share of loss of associated companies	-	-	NM	-	(4)	NM
Loss before tax	(19,660)	(3,776)	NM	(24,522)	(2,195)	NM
Income tax expense	(86)	(236)	(63.6%)	(84)	(252)	(66.7%)
Net loss after tax	(19,746)	(4,012)	NM	(24,606)	(2,447)	NM
Other comprehensive loss						
Foreign currency translation	(932)	(817)	14.1%	(1,014)	(148)	NM
Total comprehensive loss for the period	(20,678)	(4,829)	NM	(25,620)	(2,595)	NM
Loss attributable to:						
Owner of the parent	(19,285)	(3,631)	NM	(24,086)	(2,002)	NM
Non-controlling interests	(461)	(381)	21.0%	(520)	(445)	16.9%
	(19,746)	(4,012)	NM	(24,606)	(2,447)	NM
Total comprehensive loss attributable to:						
Owner of the parent	(20,229)	(4,450)	NM	(25,119)	(2,152)	NM
Non-controlling interests	(449)	(379)	18.5%	(501)	(443)	13.1%
	(20,678)	(4,829)	NM	(25,620)	(2,595)	NM

NM: Denotes not meaningful

Profit from operations included the following:

	Group	
	2QFY19 S\$'000	2QFY18 S\$'000
(a) Other income		
Interest income	-	13
(b) Other (losses)/ gains - net		
Net (loss)/gain on disposal of property, plant and equipment	(39)	333
Currency exchange (loss)/ gain-net	(301)	792
(d) Depreciation of property, plant and equipment	(1,205)	(903)

Group	
1HFY19 S\$'000	1HFY18 S\$'000
1	104
(33)	321
400	911
(2,326)	(1,786)

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-2018 S\$'000	31-Mar-2018 S\$'000	30-Sept-2018 S\$'000	31-Mar-2018 S\$'000
ASSETS				
Current assets				
Cash and cash equivalents	2,082	8,355	584	4,953
Trade and other receivables	48,673	43,084	56,457	46,850
Contract work-in-progress	5,664	9,741	3,101	5,898
Other current assets	3,636	4,042	1,428	2,608
	60,055	65,222	61,570	60,309
Non-current assets				
Club memberships	319	319	319	319
Investments in associated companies	310	310	-	-
Investments in subsidiaries	-	-	10,726	10,538
Property, plant and equipment	26,749	22,997	8,850	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	-	-
	30,468	26,716	22,377	17,894
Total assets	90,523	91,938	83,947	78,203
LIABILITIES				
Current liabilities				
Trade and other payables	47,426	31,069	42,493	26,378
Current income tax liabilities	10	14	-	-
Borrowings	24,628	16,684	16,769	7,518
	72,064	47,767	59,262	33,896
Non-current liabilities				
Borrowings	361	444	-	-
Deferred income tax liabilities	962	975	478	478
	1,323	1,419	478	478
Total liabilities	73,387	49,186	59,740	34,374
NET ASSETS	17,136	42,752	24,207	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	1,178	2,210	-	-
(Accumulated losses)/Retained earnings	(19,691)	4,391	(11,971)	7,651
Total	17,665	42,779	24,207	43,829
Non-controlling interests	(529)	(27)	-	-
Total equity	17,136	42,752	24,207	43,829

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

	30-Sept-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	24,628	-	16,684	-
Amount repayable after one year	361	-	444	-

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 19 S\$'000	2Q FY 18 S\$'000	1H FY 19 S\$'000	1H FY 18 S\$'000
Cash flows from operating activities:				
Total loss	(19,746)	(4,012)	(24,606)	(2,447)
Adjustments for :				
Depreciation of property, plant and equipment	1,205	903	2,326	1,786
Net loss/(gain) on disposal of property, plant and equipment	39	(333)	33	(321)
Fixed assets written off	2	-	2	-
Share of loss of associated companies	-	-	-	4
Foreign exchange adjustments	245	(802)	(234)	(43)
Income tax expense	86	236	84	252
Interest expense	170	58	384	93
Interest income	-	(13)	(1)	(104)
Operating cash flow before working capital changes	(17,999)	(3,963)	(22,012)	(780)
Change in working capital				
Contract work-in-progress	2,541	(1,511)	4,077	(479)
Trade and other receivables	10,902	(9,861)	(5,589)	(18,994)
Other current assets	774	(687)	406	(416)
Trade and other payables	5,199	8,072	16,371	11,424
Cash generated from/(used in) operations	1,417	(7,950)	(6,747)	(9,245)
Income taxes paid	(106)	(209)	(101)	(254)
Net cash inflow/(outflow) from operating activities	1,311	(8,159)	(6,848)	(9,499)
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	136	333	144	334
Purchases of property, plant and equipment	(1,385)	(181)	(6,076)	(400)
Interest income received	-	13	1	104
Acquisition of subsidiaries	-	(634)	-	(634)
Net cash outflow from investing activities	(1,249)	(469)	(5,931)	(596)
Cash flows from financing activities				
Dividend paid	-	(1,519)	-	(1,519)
Proceeds/(repayments) of lease liabilities	(57)	116	(114)	37
Proceeds/(repayments) from trust receipts creditors	(2,384)	645	(1,492)	1,123
Proceeds from bank borrowings	4,200	25,118	15,969	25,118
Repayment of bank borrowings	(5,682)	(17,554)	(6,700)	(17,547)

Interest paid	(170)	(58)	(384)	(93)
Net cash (outflow)/inflow from financing activities	(4,093)	6,748	7,279	7,119
Net decrease in cash and cash equivalents held	(4,031)	(1,880)	(5,500)	(2,976)
Effect of exchange rate change on cash and cash equivalents	10	(46)	158	(86)
Cash and cash equivalents at beginning of the financial period	5,362	-	6,683	8,446
Cash and cash equivalents at end of the financial period	1,341	(1,926)	1,341	5,384
Cash and cash equivalents represented by:				
Bank and cash balances	2,082	(1,789)	2,082	5,509
Fixed deposits with financial institutions	-	(17)	-	1,190
Less: Bank overdrafts	(741)	(136)	(741)	(148)
Less: Restricted bank deposits	-	16	-	(1,167)
	1,341	(1,926)	1,341	5,384

Reconciliation of liabilities arising from financing activities

	1-Apr-18	Principal	Repayment	Non-cash changes		30-Sept-18
				Acquisition	Foreign exchange movement	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Bank borrowings	(12,500)	(9,200)	6,700	-	-	(15,000)
Bank Financing (Trust Receipts)	(3,429)	(4,959)	6,451	-	(1)	(1,938)
Finance lease liability (Hire Purchase)	(654)	-	114	-	(1)	(541)
AR Invoice Financing	-	(6,769)	-	-	-	(6,769)

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	(Accumulated losses)/ Retained Earnings	Total	Non-controlling 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 loss for the period	-	(89)	(4,801)	(4,890)	(52)	(4,942)
As at 30 Jun 2018	36,178	2,122	(408)	37,892	(81)	37,811
2QFY2019						
Total comprehensive loss for the period	-	(944)	(19,283)	(20,227)	(448)	(20,675)
As at 30 Sept 2018	36,178	1,178	(19,691)	17,665	(529)	17,136
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
2QFY2018						
Total comprehensive loss for the period	-	(821)	(3,629)	(4,450)	(379)	(4,829)
Acquisition of subsidiary	-	-	-	-	-	-
Dividend relating to FY2017 paid	-	-	(1,519)	(1,519)	-	(1,519)
As at 30 Sept 2017	36,178	1,142	21,242	58,562	719	59,281

Company	Share Capital S\$'000	Accumulated losses)/Retained Earnings S\$'000	Total Equity S\$'000
1QFY2019			
As at 1 Apr 2018	36,178	7,651	43,829
Total comprehensive loss for the period	-	(3,314)	(3,314)
As at 30 Jun 2018	36,178	4,337	40,515
2QFY2019			
Total comprehensive loss for the period	-	(16,308)	(16,308)
As at 30 Sept 2018	36,178	(11,971)	24,207
1QFY2018			
As at 1 Apr 2017	36,178	26,440	62,618
Total comprehensive loss for the period	-	1,032	1,032
As at 30 Jun 2017	36,178	27,472	63,650
2QFY2018			
Total comprehensive loss for the period	-	(2,550)	(2,550)
Dividend relating to FY2017 paid	-	(1,519)	(1,519)
As at 30 Sept 2017	36,178	23,403	59,581

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 2019	FY 2018
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 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 September 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 dividends:

	Group		Group	
	2Q FY19	2Q FY18	1H FY19	1H FY18
Loss per share (cents)				
Based on number of ordinary shares on issue (cents)	(6.35)	(1.20)	(7.93)	(0.66)
On fully diluted basis (cents)	(6.35)	(1.20)	(7.93)	(0.66)
Net loss attributable to ordinary shareholders for basic earnings per share (S\$'000)	(19,285)	(3,631)	(24,086)	(2,002)
Net loss attributable to ordinary shareholders for diluted earnings per share (S\$'000)	(19,285)	(3,631)	(24,086)	(2,002)
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-18	31-Mar-2018	30-Sept-18	31-Mar-2018
Net asset value per ordinary share (in cents) based on issued share capital as at the end of the period reported on	5.82	14.08	7.97	14.43

The calculation of the net asset value per ordinary share issued is based on 303,750,000 shares at 30 Sept 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**

Second Quarter (2QFY2019) Review

The Group's revenue increased by 12.1% from S\$30.5 million for 2QFY2018 to S\$34.2 million for 2QFY2019 mainly due to higher recognition of plant construction revenue in 2QFY2019. The gross loss increased from S\$0.6 million for 2QFY2018 to S\$14.1 million for 2QFY2019 mainly due to cost overrun caused by a delay in project work commencement. Claims are being made to recover the cost impact of the delay and, if successful, to mitigate the loss incurred.

The Group's administrative expenses increased by 20.1% from S\$4.2 million in 2QFY2018 to S\$5.1 million in 2QFY2019 mainly due to consolidation of the acquired scaffolding business and setting up of plant construction and maintenance business in the Middle East.

The Group's net loss attributable to shareholders increased from S\$3.6 million for 2QFY2018 to S\$19.3 million for 2QFY2019 mainly due to the factors mentioned above.

First Half (1HFY2019) Review

The Group's revenue increased by 8.2% from S\$66.7 million for 1HFY2018 to S\$72.2 million for 1HFY2019 mainly due to higher recognition of plant construction revenue in 1HFY2019. The gross loss amounted to S\$14.9 million for 1HFY2019 as compared to a gross profit of S\$4.6 million for 1HFY2018 mainly due to the reasons mentioned above.

The Group's administrative expenses increased by 19.0% from S\$8.1 million in 1HFY2018 to S\$9.6 million in 1HFY2019 mainly due to consolidation of the acquired scaffolding business and setting up of plant construction and maintenance business in the Middle East as mentioned above.

The Group's net loss attributable to shareholders increased from S\$2.0 million for 1HFY2018 to S\$24.1 million for 1HFY2019 mainly due to the factors mentioned above.

Statement of Financial Position Review

The increase of S\$5.6 million in trade and other receivables as at 30 September 2018 as compared to 31 March 2018 is mainly due to the increase in billings and slower collections in 2QFY2019.

As announced on 12 September 2018, JTC granted extensions of the leases of the Company's properties at 24, 28 and 30 Tuas Crescent for a period of 20 years. The net book value of these properties was S\$0.5 million as at 30 September 2018. Professional valuation is being carried out to reflect their current market values.

The increase of S\$3.8 million in property, plant and equipment as at 30 September 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\$16.4 million in trade and other payables as at 30 September 2018 as compared to 31 March 2018 is in line with the Group's business activities.

The total borrowings of S\$25.0 million as at 30 September 2018 had increased by S\$7.9 million compared to S\$17.1 million as at 31 March 2018 for working capital.

As at 30 September 2018, the Group's cash and cash equivalents stood at S\$2.1 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\$142 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 September 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 September 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
14 November 2018**