

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

**UNAUDITED FIRST-QUARTER ENDED 30 JUNE 2020 FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT**

The quarterly reporting announcement is mandatory, made pursuant to the Exchange's requirements as required under Listing Rule 705(2C).

**1(a). A statement of comprehensive income (for the group) together with a comparative statement for the first quarter ended 30 June 2020**

	Group		
	30-Jun-20	30-Jun-19	Increase/ (Decrease)
	S\$'000	S\$'000	%
<b>Revenue</b>	9,820	43,369	(77.4%)
Cost of services rendered	(8,635)	(40,906)	(78.9%)
<b>Gross profit</b>	1,185	2,463	(51.9%)
Gross profit margin	12.1%	5.7%	
Other income	2,345	-	NM
Administrative expenses	(2,487)	(4,108)	(39.5%)
Other gains-net	51	176	(71.0%)
<b>Profit/(loss) from operations</b>	1,094	(1,469)	NM
Finance expenses	(57)	(213)	(73.2%)
Share of loss of associated companies	-	(14)	NM
<b>Profit/(loss) before income tax</b>	1,037	(1,696)	NM
Income tax credit/(expense)	3	(1)	NM
<b>Net profit/(Loss) after tax</b>	1,040	(1,697)	NM
<b>Items that may be reclassified subsequently to P&amp;L</b>			
Currency translation differences arising from consolidation	281	779	(63.9%)
<b>Items that will not be reclassified subsequently to P&amp;L</b>			
Currency translation differences arising from consolidation	23	3	NM
Financial assets, at FVOCI	(18)	(1,175)	98.5%
-Fair value losses-equity investments			
<b>Total comprehensive income/(loss) for the period</b>	1,326	(2,090)	NM
<b>Profit/(loss) attributable to:</b>			
Equity holders of the Company	1,251	(2,105)	NM
Non-controlling interests	(211)	408	NM
	1,040	(1,697)	NM
<b>Total comprehensive income/(loss) attributable to:</b>			
Equity holders of the Company	1,514	(2,501)	NM
Non-controlling interests	(188)	411	NM
	1,326	(2,090)	NM

NM: Denotes not meaningful

**Profit from operations included the following:**

	Group	
	30-Jun-20	30-Jun-19
	S\$'000	S\$'000
<b>(a) Other income</b>		
Government grants	2,345	-
<b>(b) Other gains/(losses)-net</b>		
Net gain disposal of property, plant and equipment	319	22
Currency exchange (loss)/gain -net	(282)	198
<b>(c) Depreciation of property, plant and equipment</b>	(876)	(991)

**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:**

	<b>Group</b>		<b>Company</b>	
	<b>30-Jun-2020</b>	<b>31-Mar-2020</b>	<b>30-Jun-2020</b>	<b>31-Mar-2020</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	4,388	1,885	1,300	360
Trade and other receivables	17,041	18,170	29,336	31,119
Contract assets	11,643	14,692	3,358	5,066
Other current assets	2,791	3,299	726	999
	<b>35,863</b>	<b>38,046</b>	<b>34,720</b>	<b>37,544</b>
<b>Non-current assets</b>				
Club memberships	270	270	270	270
Investments in associated companies	326	326	-	-
Investments in subsidiaries	-	-	4,831	4,831
Property, plant and equipment	19,659	21,205	6,220	6,646
Available-for-sale financial assets	1,289	1,289	1,289	1,289
Deferred income tax assets	51	51	-	-
	<b>21,595</b>	<b>23,141</b>	<b>12,610</b>	<b>13,036</b>
<b>Total assets</b>	<b>57,458</b>	<b>61,187</b>	<b>47,330</b>	<b>50,580</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	36,684	38,239	27,671	30,525
Provision for onerous contracts	195	275	195	256
Contract liabilities	5,167	6,439	3,555	3,736
Current income tax liabilities	17	28	6	2
Borrowings	27,306	29,374	19,937	22,025
	<b>69,369</b>	<b>74,355</b>	<b>51,364</b>	<b>56,544</b>
<b>Non-current liabilities</b>				
Borrowings	-	12	-	-
Deferred income tax liabilities	1,159	1,166	740	740
	<b>1,159</b>	<b>1,178</b>	<b>740</b>	<b>740</b>
<b>Total liabilities</b>	<b>70,528</b>	<b>75,533</b>	<b>52,104</b>	<b>57,284</b>
<b>NET ASSETS</b>	<b>(13,070)</b>	<b>(14,346)</b>	<b>(4,774)</b>	<b>(6,704)</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to the Company's equity holders</b>				
Share capital	36,178	36,178	36,178	36,178
Other reserves	455	283	(1,193)	(1,193)
Accumulated losses	(47,819)	(49,111)	(39,759)	(41,688)
<b>Total</b>	<b>(11,186)</b>	<b>(12,650)</b>	<b>(4,774)</b>	<b>(6,704)</b>
Non-controlling interests	(1,884)	(1,696)	-	-
<b>Total equity</b>	<b>(13,070)</b>	<b>(14,346)</b>	<b>(4,774)</b>	<b>(6,704)</b>

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

	30-Jun-2020		31-Mar-2020	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amount repayable in one year or less, or on demand	27,306	-	29,374	-
Amount repayable after one year	-	-	12	-

**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-20 S\$'000	30-Jun-19 S\$'000
<b>Cash flow from operating activities:</b>		
Total profit/ (loss)	1,147	(1,697)
<b>Adjustment for :</b>		
Depreciation of property, plant and equipment	876	991
Net (gain)/loss from disposal of plant and equipment	(319)	(22)
Share of loss of associated companies	-	14
Provision of impairment of trade and other receivables	-	74
Foreign exchange adjustments	(322)	569
Income tax (credit)/expense	(3)	1
Interest expense	57	213
<b>Operating cash flow before working capital changes</b>	1,436	143
<b>Changes in working capital</b>		
Contract assets	3,049	(286)
Trade and other receivables	1,129	5,599
Other current assets	508	(726)
Contract liabilities	(1,271)	(1,442)
Trade and other payables	(1,664)	(3,598)
<b>Cash generated from/( used in) operations</b>	3,187	(310)
Income taxes (refund)/paid	(15)	(1)
<b>Net cash generated from/(used in) operating activities</b>	3,172	(311)
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(92)	(189)
Proceeds from disposal of plant and equipment	1,296	23
<b>Net cash generated from/(used in) investing activities</b>	1,204	(166)
<b>Cash flows from financing activities</b>		
Repayments of lease liabilities	-	(42)
Proceeds from trust receipts creditors	(510)	4,068
Repayments of trust receipts creditors	(522)	(3,921)
Proceeds from bank borrowings	-	8,513
Repayment of bank borrowings	(25)	(9,388)
Proceeds from AR invoice financing	-	8,081
Repayments of AR invoice financing	(358)	(10,000)
Interest paid	(57)	(213)
<b>Net cash used in financing activities</b>	(452)	(2,902)
<b>Net increase/(decrease) in cash and cash equivalents held</b>	3,924	(3,379)
Cash and cash equivalents at beginning of the financial period	(42)	27
Effect of currency translation on cash and cash equivalents	(392)	7,629
<b>Cash and cash equivalents at end of the financial period</b>	3,490	4,277

<b>Cash and cash equivalents represented by:</b>		
Bank and cash balances	4,388	4,935
Less: Bank overdrafts	(898)	(658)
	3,490	4,277

#### Reconciliation of liabilities arising from financing activities

	1-Apr-20	Principal	Repayment	Non-cash changes		30-Jun-20
				Acquisition	Foreign exchange movement	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Bank borrowings	15,100	-	(26)	1	-	15,075
Bank Financing (Trust Receipts)	2,703	510	(566)	44	(275)	2,416
Finance lease liability (Hire Purchase)	60	-	(14)	1	2	49
AR Invoice Financing	9,247	-	(347)	2	(33)	8,869

	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(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
<b>1QFY2021</b>						
As at 1 Apr 2020	36,178	282	(49,111)	(12,651)	(1,694)	(14,345)
Total comprehensive income for the period	-	173	1,292	1,465	(190)	1,275
<b>As at 30 Jun 2020</b>	36,178	455	(47,819)	(11,186)	(1884)	(13,070)
<b>1QFY2020</b>						
As at 1 Apr 2019	36,178	191	(29,104)	7,265	(557)	6,708
Total comprehensive income for the period	-	-	(2,105)	(1,326)	411	(915)
As at 30 Jun 2019	36,178	970	(31,209)	5,939	(146)	5,793

<b>Company</b>	<b>Share Capital</b>	<b>Other Reserves</b>	<b>Retained Earnings</b>	<b>Total Equity</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>1QFY2021</b>				
As at 1 Apr 2020	36,178	(1,193)	(41,689)	(6,704)
Total comprehensive income for the period	-	-	1,930	1,930
<b>As at 30 Jun 2020</b>	<b>36,178</b>	<b>(1,193)</b>	<b>(39,759)</b>	<b>(4,774)</b>
<b>1QFY2020</b>				
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

**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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as 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. There was no change in share capital arising from rights 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 from 1 April 2020 to 30 June 2020. As at 30 June 2020 and 31 March 2020, the Company did not have any outstanding convertibles, treasury shares or subsidiary holdings.

**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.**

	<b>FY2020</b>	<b>FY2019</b>
<b>Issued &amp; fully paid share capital</b>		
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.

- 3A. **Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion: (a) updates on the efforts taken to resolve each outstanding audit issue; and (b) confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed. This is not required for any audit issue that is a material uncertainty relating to going concern.**

Not applicable. Reference is made to pages 13, 14, 24 and 25 of the Company's FY2019 Annual Report. The Company's auditors, PricewaterhouseCoopers LLP noted, amongst other things, that for the financial year ended 31 March 2019, the Group reported a net loss of \$39,492,000 and a net cash outflow from operating activities of \$5,086,000, and that as at 31 March 2019, the Group's and the Company's current liabilities exceeded their current assets by \$20,453,000 and \$10,420,000 respectively. Accordingly, the Company's auditors considered there to be a material uncertainty which cast significant doubt about the Group's and the Company's ability to continue as going concerns. The Company had on 28 July 2020 applied to be placed under judicial management. Please refer to paragraph 10 below as well as the Company's announcement on 28 July 2020.

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 2020 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 concurrently adopted SFRS(I) 16 Leases.

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**

	<b>Group</b>	
	<b>30-Jun-20</b>	<b>30-Jun-19</b>
<b>Earnings/(loss) per share (cents)</b>		
Based on number of ordinary shares in issue (cents)	0.41	(0.69)
Based on fully diluted basis (cents)	0.41	(0.69)
Profit/(loss) attributable to ordinary shareholders for basic loss per share (\$'000)	1,251	(2,105)
Profit/(loss) attributable to ordinary shareholders for diluted loss per share (\$'000)	1,251	(2,105)
Weighted average number of ordinary shares in issue applicable to basic/diluted loss 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

(b) There was no material impact on prior period EPS on adoption of the SFRS(I) 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-20	31-Mar-20	30-Jun-20	31-Mar-20
Net asset value per ordinary share (in cents) based on issued share capital as at the end of the period reported on	(3.7)	(4.2)	(1.6)	(2.2)

The calculation of the net asset value per ordinary share issued is based on 303,750,000 shares at 30 June 2020 (31 March 2020: 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 (1QFY2021) Review

Amid a worsening economy, circuit breaker and safe management measures due to Covid-19 pandemic, the Group's revenue decreased by 77.4% from S\$43.4 million for 1QFY2020 to S\$9.8 million for 1QFY2021.

The Group's gross profit decreased by 51.9% from S\$2.5 million for 1QFY2020 to S\$1.2 million for 1QFY2021 mainly due to lower revenue.

The Group's administrative expenses decreased by 39.5% from S\$4.1 million in 1QFY2020 to S\$2.5 million in 1QFY2021 mainly due to the cost cutting efforts.

The Group's other income of S\$2.3 million in 1QFY2021 comprises mainly receipts of government grants under Jobs Support Scheme and Foreign Worker Levy Rebates.

The Group's net profit attributable to shareholders for 1QFY2021 amounted to S\$1.3 million as compared to a net loss S\$2.1 million for 1QFY2020 mainly due to the factors mentioned above.

#### Statement of Financial Position Review

The decrease of S\$1.1 million in trade and other receivables as at 30 June 2020 as compared to 31 March 2020 is mainly due to decrease in revenue in 1QFY2021.

The decrease of S\$1.6 million in trade and other payables as at 30 June 2020 as compared to 31 March 2020 is in line with the Group's business activities.

The total borrowings of S\$27.3 million as at 30 June 2020 had decreased by S\$2.1 million compared to S\$29.4 million as at 31 March 2020.

As at 30 June 2020, the Group's cash and cash equivalents stood at S\$4.4 million as compared to S\$1.9 million as at 31 March 2020.

#### Working Capital Review

As at 30 June 2020, the Group's current liabilities including borrowings from banks of S\$27.3 million exceeded current assets by S\$33.5 million. Part of the current liabilities comprised Contract liabilities of S\$5.2 million which are invoiced to customers but yet to be recognized as revenue.

#### Cash Flow Statement Review

The Group reported a net increase in cash and cash equivalents of S\$3.9 million mainly due to net cash generated from operating and investing activities of S\$3.2 million and S\$1.2 million respectively and offset by net cash used in financing activities of S\$0.5 million.

- 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 Group's operations are primarily in the process sector of the oil and gas industry and its business is reactive to the economic sentiments surrounding crude oil prices. However, in the past few years, crude oil prices crept downwards for various reasons, and this year, COVID-19 contracted the demand for oil significantly. These various developments culminated in a collapse of crude oil into negative prices this year for the first time in known history.

Against this backdrop, the Group observed a significant shrinkage in the number of plant construction projects, lower bids and capital expenditure, thinner margins and a general belt tightening policy of project owners. Additionally, its various partners and stakeholders were increasingly seeking delays, deferrals and various compensations.

The Group is presently in financial distress due to difficulties faced with its liquidity. It had gone through intense competition and higher-than-expected operating costs which resulted in a weak and challenging financial health condition. These cost overruns were mainly due to delays in project work commencement and harsh market conditions. Due to COVID-19 safety measures and restrictions, the Group expects further increases in operating costs.

The Company had been pursuing all available avenues to ease its financial woes and to generate cash. Further to this, the Company's subsidiary, Hiap Seng Engineering (Thailand) Co., Ltd. ("HSE Thailand"), had put the Group's non-core assets in Thailand, comprising its factory buildings, workshop and two-storey building ("Property") together with plant and equipment ("Assets") up for sale since the beginning of this year.

Despite having been marketed for more than 5 months, due to the COVID-19 pandemic, HSE Thailand only recently received a formal offer from a third party buyer ("Buyer") of Thailand Baht ("THB") 300 million (approximately S\$13 million) and consequently, HSE Thailand had on 3 July 2020 entered into sale and purchase agreements ("SPAs") for the Property and the Assets.

Pursuant to the SPAs, the Buyer had paid THB 2 million as a deposit and was supposed to pay a further THB 88 million on 15 July 2020. However, the Buyer has to date not yet paid the THB 88 million. HSE Thailand is currently consulting with the Buyer and will make an announcement via SGXNET as and when there are any material developments.

The Company has consulted with, amongst others, various professional advisors and particularly, RSM Corporate Advisory Pte. Ltd. Based on the internal projections prepared, the Group would likely be in a cash negative position this year. Accordingly, the Board has concluded that the Company is unable to continue operating as a going concern and further thereto, on 28 July 2020, the Company and its subsidiary HS Compression & Process Pte Ltd ("HSCP"), each filed an application in the High Court of Singapore for, amongst others, orders that they be placed under judicial management pursuant to Section 227B of the Companies Act. Judicial management is a method of debt restructuring where independent judicial managers are appointed to manage the affairs, business and property of a company under financial distress. The Company is also temporarily shielded from legal proceedings by third-parties, giving it the breathing space and opportunity to rehabilitate.

The Board has proposed the appointment of Ms Oon Su Sun and Mr Lin Yueh Hung c/o RSM Corporate Advisory Pte. Ltd. as the judicial managers to manage the affairs, business and property of the Company and HSCP, subject to the approval of the High Court of Singapore. The JM Applications have been fixed to be heard on 15 September 2020 at 2:30pm in the High Court.

Further announcements will be made by the Company and the Board via SGXNET as and when there are any material developments.

Shareholders, stakeholders and potential investors of the Company are advised to read this announcement and any further announcements made by the Company carefully. Shareholders



are also advised to refrain from taking any action with respect to their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. Shareholders, stakeholders and potential investors of the Company should consult their financial, tax or other advisers if they have any doubt about the actions they should take.

**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 2020.  
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 2020 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.

**16. Compliance with Rule 706A**

The Company has not undertaken any acquisition or sale of shares resulting in a company becoming or ceasing (as the case may be) to be a subsidiary or an associated company. The Company has also not undertaken any sale of shares resulting in the issuer increasing or decreasing (as the case may be) its shareholding percentage in a subsidiary or an associated company.

**By order of the board**

**TAN HAK JIN**  
**Joint Company Secretary**  
**14 August 2020**