

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

**UNAUDITED THIRD QUARTER AND NINE MONTHS FY2015 FINANCIAL STATEMENT
AND DIVIDEND ANNOUNCEMENT**

1(a). A statement of comprehensive income (for the group) together with a comparative statement for the third quarter and nine months ended 31 December 2014:

	Group			Group		
	3QFY15	3QFY14	Increase/ (Decrease)	9MFY15	9MFY14	Increase/ (Decrease)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Turnover	48,390	66,535	(27.3)	205,013	190,100	7.8
Cost of sales	(48,760)	(59,772)	(18.4)	(198,551)	(176,142)	12.7
Gross (loss)/profit	(370)	6,763	NM	6,462	13,958	(53.7)
Gross (loss)/profit margin	(0.8 %)	10.2%		3.2%	7.3%	
Other income/(loss)	14	(46)	NM	42	65	(35.4)
Administrative costs	(5,377)	(6,099)	(11.8)	(15,134)	(17,784)	(14.9)
Other (loss)/gain- net	(73)	647	NM	726	(459)	NM
(Loss)/profit from operations	(5,806)	1,265	NM	(7,904)	(4,220)	87.3
Finance costs	(153)	(132)	15.9	(597)	(346)	72.5
Share of (loss)/profit of associated companies	(44)	238	NM	491	247	98.8
(Loss)/profit before tax	(6,003)	1,371	NM	(8,010)	(4,319)	85.5
Income tax expense	(192)	(92)	NM	(386)	(325)	18.8
Net (loss)/profit after tax	(6,195)	1,279	NM	(8,396)	(4,644)	80.8
Other comprehensive income						
Foreign currency translation	291	1	NM	342	(44)	NM
Total comprehensive (loss)/income for the period	(5,904)	1,280	NM	(8,054)	(4,688)	71.8
(Loss)/profit attributable to:						
Owner of the parent	(6,098)	1,131	NM	(8,879)	(4,712)	88.4
Non-controlling interests	(97)	148	NM	483	68	NM
	(6,195)	1,279	NM	(8,396)	(4,644)	80.8
Total comprehensive (loss)/income attributable to:						
Owner of the parent	(5,807)	1,132	NM	(8,524)	(4,756)	79.2
Non-controlling interests	(97)	148	NM	470	68	NM
	(5,904)	1,280	NM	(8,054)	(4,688)	71.8

NM: Denotes not meaningful

Profit from operations included the following:

	Group		Group	
	3QFY15 S\$'000	3QFY14 S\$'000	9MFY15 S\$'000	9MFY14 S\$'000
(a) Other income/(loss)				
Other income/(loss) including interest income	14	(30)	42	65
(b) Other (loss)/gain- net				
Net (loss)/gain on disposal of property, plant and equipment	(44)	(16)	83	127
Currency exchange (loss)/gain -net	(30)	713	622	(585)
(c) Depreciation of property, plant and equipment	(1,243)	(1,541)	(3,225)	(3,368)
(d) Amortisation of intangible assets	(30)	(87)	(124)	(260)

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	
	31-Dec-2014 S\$'000	31-Mar-2014 S\$'000	31-Dec-2014 S\$'000	31-Mar-2014 S\$'000
ASSETS				
Current assets				
Cash and cash equivalents	15,258	7,812	8,161	3,156
Income tax recoverable	72	1,061	72	781
Trade and other receivables	92,701	108,921	90,317	110,829
Contract work-in-progress	13,841	52,319	9,035	15,047
Other current assets	2,147	2,222	1,516	1,767
	124,019	172,335	109,101	131,580
Non-current assets				
Club memberships	363	363	298	298
Investments in associated companies	1,545	1,078	109	109
Investments in subsidiaries	-	-	15,083	14,858
Property, plant and equipment	24,958	26,049	7,519	8,913
Available-for-sale financial assets	2,482	2,482	2,482	2,482
Deferred income tax assets	178	294	-	-
Intangible assets	6,533	6,657	-	-
	36,059	36,923	25,491	26,660
Total assets	160,078	209,258	134,592	158,240
LIABILITIES				
Current liabilities				
Trade and other payables	70,922	96,924	58,905	62,670
Current income tax liabilities	200	1	-	-
Borrowings	21,325	36,553	12,792	28,487
	92,447	133,478	71,697	91,157
Non-current liabilities				
Borrowings	1,111	834	1,068	342
Deferred income tax liabilities	1,380	1,536	458	458
	2,491	2,370	1,526	800
Total liabilities	94,938	135,848	73,223	91,957
NET ASSETS	65,140	73,410	61,369	66,283
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	36,178	36,178	36,178	36,178
Other reserves	122	(75)	-	-
Retained earnings	26,603	35,482	25,191	30,105
Total	62,903	71,585	61,369	66,283
Minority interests	2,237	1,825	-	-
Total equity	65,140	73,410	61,369	66,283

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

	31-Dec-2014		31-Mar-2014	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amount repayable in one year or less, or on demand	21,325	-	36,553	-
Amount repayable after one year	1,111	-	834	-

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	
	3QFY 15 S\$'000	3QFY 14 S\$'000	9MFY 15 S\$'000	9MFY 14 S\$'000
Cash flows from operating activities:				
Total (loss)/profit	(6,195)	1,279	(8,396)	(4,644)
Adjustments for :				
Depreciation of property, plant and equipment	1,243	1,541	3,225	3,368
Amortisation of intangible assets	30	87	124	260
Net loss/(gain) on disposal of property, plant and equipment	44	16	(83)	(127)
Write-off of property, plant and equipment	-	8	-	8
Share of loss/(profit) of associated companies	44	(238)	(491)	(247)
Unrealised currency translation (gain)/loss	(128)	(216)	(220)	600
Income tax expense	192	92	386	325
Interest expense	153	132	597	346
Interest income	(14)	46	(42)	(65)
Operating cash flow before working capital changes	(4,631)	2,747	(4,900)	(176)
Change in working capital				
Contract work-in-progress	(436)	(13,535)	38,478	(40,852)
Trade and other receivables	1,823	(6,197)	16,220	(15,132)
Other current assets	863	(1,660)	75	(2,904)
Trade and other payables	(4,548)	4,013	(26,002)	27,656
Cash (used in)/generated from operations	(6,929)	(14,632)	23,871	(31,408)
Income taxes refund/(paid)	679	45	756	(294)
Net cash (outflow)/ inflow from operating activities	(6,250)	(14,587)	24,627	(31,702)
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	284	31	567	129
Purchases of property, plant and equipment	(451)	(2,752)	(1,977)	(4,389)
Acquisition of additional interests in subsidiary	(216)	-	(216)	-
Interest income received	14	63	42	83
Net cash outflow from investing activities	(369)	(2,658)	(1,584)	(4,177)
Cash flows from financing activities				
Dividend paid	-	-	-	(1,519)
Decrease in bank deposits pledged	(25)	-	(38)	-
Hire purchase creditors	(95)	612	1,359	566
Trust receipts creditors	(1,113)	2,563	(6,156)	5,686

(Repayments)/proceeds from money market line loans	(3,302)	6,379	(10,529)	20,190
Interest paid	(153)	(147)	(597)	(346)
Net cash (outflow)/inflow from financing activities	(4,688)	9,407	(15,961)	24,577
Net (decrease)/increase in cash and cash equivalents held	(11,307)	(7,838)	7,082	(11,302)
Effect of exchange rate change on cash and cash equivalents	12	(17)	9	51
Cash and cash equivalents at beginning of the financial period	22,879	12,017	4,493	15,413
Cash and cash equivalents at end of the financial period	11,584	4,162	11,584	4,162
Cash and cash equivalents represented by:				
Bank and cash balances	13,317	4,864	13,317	4,864
Fixed deposits with financial institutions	1,941	1,895	1,941	1,895
Less: Bank overdrafts	(1,734)	(1,789)	(1,734)	(1,789)
Less: Restricted bank deposits	(1,940)	(808)	(1,940)	(808)
	11,584	4,162	11,584	4,162

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
1HFY15						
As at 1 Apr 2014	36,178	(75)	35,482	71,585	1,825	73,410
Total comprehensive income for the period	-	64	(2,781)	(2,717)	567	(2,150)
As at 30 Sept 2014	36,178	(11)	32,701	68,868	2,392	71,260
3QFY15						
Total comprehensive income for the period	-	291	(6,098)	(5,807)	(97)	(5,904)
Transaction with Non-controlling interests	-	(158)	-	(158)	(58)	(216)
As at 31 Dec 2014	36,178	122	26,603	62,903	2,237	65,140
1HFY14						
As at 1 Apr 2013	36,178	(70)	41,963	78,071	1,621	79,692
Total comprehensive income for the period	-	(45)	(5,843)	(5,888)	(80)	(5,968)
Dividend on ordinary share	-	-	(1,519)	(1,519)	-	(1,519)
As at 30 Sept 2013	36,178	(115)	34,601	70,664	1,541	72,205
3QFY14						
Total comprehensive income for the period	-	(56)	1,131	1,075	148	1,223
As at 31 Dec 2013	36,178	(171)	35,732	71,739	1,689	73,428

Company	Share Capital S\$'000	Retained Earnings S\$'000	Total Equity S\$'000
1HFY15			
As at 1 Apr 2014	36,178	30,105	66,283
Total comprehensive income for the period	-	(1,461)	(1,461)
As at 30 Sept 2014	36,178	28,644	64,822
3QFY15			
Total comprehensive income for the period	-	(3,453)	(3,453)
As at 31 Dec 2014	36,178	25,191	61,369
1HFY14			
As at 1 Apr 2013	36,178	34,673	70,851
Total comprehensive income for the period	-	(4,986)	(4,986)
Dividend on ordinary share	-	(1,519)	(1,519)
As at 30 Sept 2013	36,178	28,168	64,346
3QFY14			
Total comprehensive loss for the period	-	(2,078)	(2,078)
As at 31 Dec 2013	36,178	26,090	62,268

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.

	FY2015	FY2014
Issued & fully paid share capital		
Number of shares as at 31 December 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 2014 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

In FY2015, the Group and the Company adopted the FRS which are effective from annual periods commencing on or after 1 April 2014.

The FRS applicable to the Group is as follows:
FRS 110 Consolidated Financial Statement
FRS 112 Disclosure of interests in Other Entities

The adoption of the above FRS did not result in significant changes to the Group's and Company's accounting policies.

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	
	3QFY15	3QFY14	9MFY15	9MFY14
(Loss)/earnings per share (cents) Based on number of ordinary shares on issue (cents)	(2.01)	0.37	(2.92)	(1.55)
On fully diluted basis (cents)	(2.01)	0.37	(2.92)	(1.55)
Net (loss)/profit attributable to ordinary shareholders for basic earnings per share (S\$'000)	(6,098)	1,131	(8,879)	(4,712)
Net (loss)/profit attributable to ordinary shareholders for diluted earnings per share (S\$'000)	(6,098)	1,131	(8,879)	(4,712)
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	
	31-Dec-14	31-Mar-2014	31-Dec-14	31-Mar-2014
Net asset value per ordinary share (in cents) based on issued share capital as at the end of the period reported on	21.4	24.2	20.2	21.8

The calculation of the net asset value per ordinary share issued is based on 303,750,000 shares at 31 December 2014 (31 March 2014: 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

Third Quarter (3QFY15) Review

The Group's revenue for 3QFY15 decreased by 27.3% from S\$66.5 million to S\$48.4 million as compared to 3QFY14 mainly due to lower recognition of project revenue. The gross loss S\$0.4 million for 3QFY15 as compared to gross profit of S\$6.8 million for 3QFY14 was mainly due to cost overruns resulting from escalating labour costs in certain projects.

The Group's net profit attributable to shareholders reduced from profit of S\$1.1 million for 3QFY14 to a loss of S\$6.1 million for 3QFY15 mainly due to the reasons mentioned above.

Nine months (9MFY15) Review

The Group's revenue for 9MFY15 increased by 7.8% from S\$190.1 million to S\$205.0 million as compared to 9MFY14 mainly due to higher recognition of project revenue. However, the gross profit for 9MFY15 decreased from S\$14.0 million to S\$6.5 million as compared to 9MFY14 mainly due to cost overruns mentioned above.

The exchange gain of S\$0.6 million for 9MFY15 as compared to a loss of S\$0.6 million for 9MFY14 was mainly due to the strengthening of US\$ against S\$ in 9MFY15.

The Group's net loss attributable to shareholders also increased from S\$4.7 million for 9MFY14 to S\$8.9 million for 9MFY15 mainly due to the reasons mentioned above.

Statement of Financial Position Review

The decrease of S\$16.2 million in trade and other receivables as at 31 December 2014 as compared to 31 March 2014 was mainly due to higher collection of the receivables. The decrease of S\$38.5 million in contract work-in-progress as at 31 December 2014 as compared to 31 March 2014 was in line with the project schedules.

The total borrowings of S\$22.4 million as at 31 December 2014 had decreased by S\$15.0 million as compared to S\$37.4 million as at 31 March 2014.

As at 31 December 2014, the Group's cash and cash equivalents stood at S\$15.3 million as compared to S\$7.8 million as at 31 March 2014.

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 Directors of the Company are not optimistic about the Group's performance for the current financial year ending 31 March 2015 in view of the slump in oil prices, keen competition and escalating labour costs. The Group will continue to control costs and take steps to improve productivity.

As at the date of this announcement, the Group's outstanding order book stands at S\$125 million.

11. Dividend

(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?

Nil.

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

Not applicable

- (d) **Date payable**

Not applicable

- (e) **Books closure date**

Not applicable.

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

No interim dividend has been recommended for the period ended 31 December 2014.

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 third quarter and the nine months ended 31 December 2014 presented in this announcement to be false or misleading in any material aspects.

BY ORDER OF THE BOARD

TAN HAK JIN
JOINT COMPANY SECRETARY
13 February 2015