



HIAP SENG ENGINEERING LTD

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

NEWS RELEASE

HIAP SENG'S RESULTS ANNOUNCEMENT FOR 2QFY2018 AND 1HFY2018

Singapore, November 13, 2017 – 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\$30.5 million and a net loss attributable to shareholders of S\$3.6 million for the second quarter ended September 30, 2017 (“2QFY2018”).

For 2QFY2018, the 40.3% dip in revenue to S\$30.5 million was mainly due to a lower recognition of plant construction revenue. The decreased revenue, coupled with higher than expected operating costs, led the Group to register a gross loss of S\$0.6 million for 2QFY2018, from a gross profit of S\$4.6 million from the previous corresponding quarter (“2QFY2017”). The Group slid to a net loss attributable to shareholders of S\$3.6 million in 2QFY2018 from net profit of S\$0.9 million in 2QFY2017.

For the six months ended September 30, 2017 (“1HFY2018”), the Group’s revenue decreased 26.3% to S\$66.7 million from S\$90.5 million in the previous corresponding period (“1HFY2017”). The Group registered a net loss attributable to shareholders of S\$2 million in 1HFY2018.

The Group has an outstanding order book of S\$81 million as at November 13, 2017.

Mr. Frankie Tan, Executive Chairman of Hiap Seng said, “We will continue to focus on managing projects and production costs more effectively to ensure sustainable operating performance. At the same time, we will continue to seek suitable opportunities in the region where the Group has established a strong track record, as well as in new markets. ”

Hiap Seng recently secured three contracts worth approximately S\$52 million in Singapore and Thailand, which were awarded by Sembcorp Project Engineering Company and Evonik Methionine South East Asia. The contract wins from reputable industry players reflect customers’ confidence in Hiap Seng’s capabilities and solid track record of delivering high quality projects on-time and with safety.

Outlook

Despite uncertain macro-economic and the intense competitive market conditions, 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.

Mr. Frankie Tan added, “Given the challenging oil-and-gas industry, we will continue to manage our operations prudently and take proactive steps to improve productivity, while exploring potential business opportunities, so as to diversify and widen both our customer and revenue bases.”

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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November 13, 2017

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

**UNAUDITED SECOND QUARTER AND FIRST HALF FY2018 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 2017

	Group			Group		
	2QFY18	2QFY17	Increase/ (Decrease)	1HFY18	1HFY17	Increase/ (Decrease)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Turnover	30,509	51,128	(40.3%)	66,742	90,509	(26.3%)
Cost of sales	(31,150)	(46,531)	(33.1%)	(62,105)	(78,862)	(21.2%)
Group profit/(loss)	(641)	4,597	NM	4,637	11,647	(60.2%)
Gross profit margin	-2.1%	9.0%		6.9%	12.9%	
Other income	13	3	NM	104	13	NM
Administrative costs	(4,231)	(4,482)	(5.6%)	(8,092)	(9,429)	(14.2%)
Other gain- net	1,141	451	NM	1,253	456	NM
Profit/(loss) from operations	(3,718)	569	NM	(2,098)	2,687	NM
Finance costs	(58)	(31)	87.1%	(93)	(53)	75.5%
Share of profit of associated companies	-	(2)	NM	(4)	11	NM
Profit/(loss) before tax	(3,776)	536	NM	(2,195)	2,645	NM
Income tax (expense)/credit	(236)	46	NM	(252)	(42)	NM
Net profit/(loss) after tax	(4,012)	582	NM	(2,447)	2,603	NM
Other comprehensive income						
Foreign currency translation	(817)	336	NM	(148)	1,702	NM
Total comprehensive profit/(loss) for the period	(4,829)	918	NM	(2,595)	4,305	NM
Profit/(loss) attributable to:						
Owner of the parent	(3,631)	871	NM	(2,002)	3,331	NM
Non-controlling interests	(381)	(289)	31.8%	(445)	(728)	(38.9%)
	(4,012)	582	NM	(2,447)	2,603	NM
Total comprehensive profit/(loss) attributable to:						
Owner of the parent	(4,450)	1,193	NM	(2,152)	5,019	NM
Non-controlling interests	(379)	(275)	37.8%	(443)	(714)	(38.0%)
	(4,829)	918	NM	(2,595)	4,305	NM

NM: Denotes not meaningful

Profit/(loss) from operations included the following:

	Group		Group	
	2QFY18 S\$'000	2QFY17 S\$'000	1HFY18 S\$'000	1HFY17 S\$'000
(a) Other income				
Interest income	13	3	104	13
(b) Other gain- net				
Net gain on disposal of property, plant and equipment	333	1	321	23
Currency exchange gain	792	417	911	345
(c) Administrative expenses				
Bad debt provided	-	-	-	(575)
(d) Depreciation of property, plant and equipment	(903)	(932)	(1,786)	(1,789)
(e) Amortisation of intangible assets	-	(79)	-	(158)

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-2017 S\$'000	31-Mar-2017 S\$'000	30-Sept-2017 S\$'000	31-Mar-2017 S\$'000
ASSETS				
Current assets				
Cash and cash equivalents	6,699	9,666	2,753	4,679
Trade and other receivables	72,335	52,566	74,417	63,054
Contract work-in-progress	1,972	1,493	1,166	891
Other current assets	2,613	2,115	1,036	1,759
	83,619	65,840	79,372	70,383
Non-current assets				
Club memberships	341	341	341	341
Investments in associated companies	264	269	-	-
Investments in subsidiaries	-	-	10,538	10,538
Property, plant and equipment	22,567	21,155	5,338	6,132
Available-for-sale financial assets	2,482	2,482	2,482	2,482
Deferred income tax assets	99	99	-	-
Intangible assets	4,916	4,440	-	-
	30,669	28,786	18,699	19,493
Total assets	114,288	94,626	98,071	89,876
LIABILITIES				
Current liabilities				
Trade and other payables	38,331	24,504	30,268	26,667
Current income tax liabilities	48	38	21	22
Borrowings	15,148	6,118	7,735	85
	53,527	30,660	38,024	26,774
Non-current liabilities				
Borrowings	492	92	-	18
Deferred income tax liabilities	988	1,001	466	466
	1,480	1,093	466	484
Total liabilities	55,007	31,753	38,490	27,258
NET ASSETS	59,281	62,873	59,581	62,618
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	36,178	36,178	36,178	36,178
Other reserves	1,142	1,293	-	-
Retained earnings	21,242	24,762	23,403	26,440
Total	58,562	62,233	59,581	62,618
Minority interests	719	640	-	-
Total equity	59,281	62,873	59,581	62,618

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

	30-Sept-2017		31-Mar-2017	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amount repayable in one year or less, or on demand	15,148	-	6,118	-
Amount repayable after one year	492	-	92	-

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 18 S\$'000	2Q FY 17 S\$'000	1H FY 18 S\$'000	1H FY 17 S\$'000
Cash flows from operating activities:				
Total profit/(loss)	(4,012)	582	(2,447)	2,603
Adjustments for :				
Depreciation of property, plant and equipment	903	932	1,786	1,789
Amortisation of intangible assets	-	79	-	158
Net gain on disposal of property, plant and equipment	(333)	(1)	(321)	(23)
Allowance for impairment of trade and other receivables	-	-	-	575
Share of profit of associated companies	-	-	4	(13)
Foreign exchange adjustments	(802)	(36)	(43)	1,402
Income tax expense	236	(46)	252	42
Interest expense	58	31	93	53
Interest income	(13)	(3)	(104)	(13)
Operating cash flow before working capital changes	(3,963)	1,538	(780)	6,573
Change in working capital				
Contract work-in-progress	(1,511)	1,620	(479)	(1,627)
Trade and other receivables	(9,861)	(2,168)	(18,994)	760
Other current assets	(687)	(404)	(416)	545
Trade and other payables	8,072	2,738	11,424	(11)
Cash generated from/(used in) operations	(7,950)	3,324	(9,245)	6,240
Income taxes (paid)/refund	(209)	34	(254)	(369)
Net cash inflow/(outflow) from operating activities	(8,159)	3,358	(9,499)	5,871
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	333	36	334	60
Purchases of property, plant and equipment	(181)	(703)	(400)	(1,298)
Interest income received	13	3	104	13
Acquisition of subsidiaries	(634)	-	(634)	-
Net cash outflow from investing activities	(469)	(664)	(596)	(1,225)
Cash flows from financing activities				
Dividend paid	(1,519)	(3,038)	(1,519)	(3,038)
Decrease in bank deposits pledged	-	(13)	-	(13)
Proceeds/(repayments) of lease liabilities	116	(336)	37	(-830)

Proceeds from trust receipts creditors	645	65	1,123	1,151
Proceeds from bank borrowings	25,118	10,000	25,118	11,500
Repayment of bank borrowings	(17,554)	(5,113)	(17,547)	(10,845)
Interest paid	(58)	(31)	(93)	(53)
Net cash (outflow)/inflow from financing activities	6,748	1,534	7,119	(2,128)
Net increase/(decrease) in cash and cash equivalents held	(1,880)	4,228	(2,976)	2,518
Effect of exchange rate change on cash and cash equivalents	(46)	1	(86)	12,287
Cash and cash equivalents at beginning of the financial period	-	98	8,446	77
Cash and cash equivalents at end of the financial period	(1,926)	4,327	5,384	14,882
Cash and cash equivalents represented by:				
Bank and cash balances	(1,789)	4,430	5,509	15,251
Fixed deposits with financial institutions	(17)	13	1,190	1,193
Less: Bank overdrafts	(136)	(13)	(148)	(1,173)
Less: Restricted bank deposits	16	(103)	(1,167)	(389)
	(1,926)	4,327	5,384	14,882

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
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 income for the period	-	(821)	(3,629)	(4,450)	(379)	(4,829)
Acquisition of subsidiary	-	-	-	-	522	522
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
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

Company	Share Capital S\$'000	Retained Earnings S\$'000	Total Equity S\$'000
1QFY2018			
As at 1 Apr 2017	36,178	26,440	62,618
Total comprehensive income for the period	-	1,032	1,032
As at 30 Jun 2017	36,178	27,472	63,650
2QFY2018			
Total comprehensive income 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
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
2QFY2017			
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

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 2018	FY 2017
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 2017 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 2017, except for the adoption of new and revised Financial Reporting Standards (FRS) which are effective for financial periods beginning on or after 1 April 2017.

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 2017 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 FY18	2Q FY17	1H FY18	1H FY17
Earnings/(loss) per share (cents) Based on number of ordinary shares on issue (cents)	(1.20)	0.29	(0.66)	1.10
On fully diluted basis (cents)	(1.20)	0.29	(0.66)	1.10
Net profit/(loss) attributable to ordinary shareholders for basic earnings per share (S\$'000)	(3,631)	871	(2,002)	3,331
Net profit/(loss) attributable to ordinary shareholders for diluted earnings per share (S\$'000)	(3,631)	871	(2,002)	3,331
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-17	31-Mar-2017	30-Sept-17	31-Mar-2017
Net asset value per ordinary share (in cents) based on issued share capital as at the end of the period reported on	19.30	20.50	19.60	20.60

The calculation of the net asset value per ordinary share issued is based on 303,750,000 shares at 30 Sept 2017 (31 March 2016: 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 (2QFY2018) Review

The Group's revenue for 2QFY2018 decreased by 40.3% from S\$51.1 million to S\$30.5 million as compared to 2QFY2017 mainly due to lower recognition of plant construction revenue in 2QFY2018. The gross loss amounted to 0.6 million for 2QFY2018 as compared to a profit of S\$4.6 million for 2QFY 2017 mainly due to the lower revenue and higher than expected operating costs.

The Group's net loss attributable to shareholders amounted to S\$3.6 million for 2QFY2018 as compared to a profit of S\$0.9 million for 2QFY2017 mainly due to the factors mentioned above.

First Half (1HFY2018) Review

The Group's revenue for 1HFY2018 decreased by 26.3% from S\$90.5 million to S\$66.7 million as compared to 1HFY2017 mainly due to lower recognition of plant construction revenue in 1HFY2018. The gross profit decreased by 60.2% from S\$11.6 million to S\$4.6 million mainly due to the lower revenue and higher than expected operating costs in 1HFY2018.

The Group's net loss attributable to shareholders amounted to S\$2.0 million for 1HFY2018 as compared to a profit of S\$3.3 million for 1HFY2017 mainly due to the factors mentioned above

Statement of Financial Position Review

The increase of S\$19.8 million in trade and other receivables as at 30 September 2017 as compared to 31 March 2017 is mainly due to slower collections in 1HFY2018.

The increase of S\$1.4 million in property, plant and equipment as at 30 September 2017 as compared to 31 March 2017 is mainly due to consolidation of a newly acquired 51% owned subsidiary.

The increase of S\$13.8 million in trade and other payables as at 30 September 2017 as compared to 31 March 2017 is in line with the Group's business activities.

The total borrowings of S\$15.6 million as at 30 September 2017 had increased by S\$9.4 million compared to S\$6.2 million as at 31 March 2017 for working capital.

As at 30 September 2017, the Group's cash and cash equivalents stood at S\$6.7 million as compared to S\$9.7 million as at 31 March 2017.

- 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\$81 million.

11. Dividend

(a) Current financial period reported on

Any dividend declared for the current financial period reported on? No

(b) Corresponding period of the immediately preceding financial year

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes

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

(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 interim dividend has been recommended for the period ended 30 September 2017.

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 2017 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 November 2017