



HIAP SENG ENGINEERING LTD

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

NEWS RELEASE

HIAP SENG'S RESULTS ANNOUNCEMENT FOR 1QFY2018

Singapore, August 14, 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\$36.2 million and a net profit attributable to shareholders of S\$1.6 million for the first quarter ended June 30, 2017 (“1QFY2018”).

For 1QFY2018, the 8.0% dip in revenue to S\$36.2 million was mainly due to a lower recognition of plant construction revenue. In line with the decreased revenue, gross profit declined correspondingly by 25.1% from S\$7.1 million in the previous corresponding quarter (“1QFY2017”) to S\$5.3 million while the Group registered a dip in net profit attributable to shareholders to S\$1.6 million in 1QFY2018 from S\$2.5 million in 1QFY2017.

As at June 30, 2017, Hiap Seng's cash and cash equivalents stood at S\$8.5 million and its net cash position was S\$1.9 million.

The Group has an outstanding order book of S\$105 million as at August 14, 2017.

Mr. Frankie Tan, Executive Chairman of Hiap Seng said, “Productivity enhancement and further cost management continue to remain as the Group's key focus amidst the overall challenging environment, particularly in the oil-and-gas sector.”

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, "While we anticipate potential near-term pressures in the oil-and-gas industry, our order book remains at a healthy level. We will take proactive steps to explore business opportunities in regions where Hiap Seng has established a sound track record, to navigate through this protracted downturn period."

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 1,500 well-trained and skilled employees.

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August 14, 2017

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 2017

| | Group | | |
|--|------------------|------------------|---------------------------------|
| | 30-Jun-17 | 30-Jun-16 | Increase/ (Decrease) |
| | S\$'000 | S\$'000 | % |
| Revenue | 36,233 | 39,381 | (8.0%) |
| Cost of services rendered | (30,955) | (32,331) | (4.3%) |
| Gross profit | 5,278 | 7,050 | (25.1%) |
| Gross profit margin | 14.6% | 17.9% | |
| Other income | 91 | 10 | NM |
| Administrative expenses | (3,861) | (4,947) | (22.0%) |
| Other gains-net | 112 | 5 | NM |
| Profit from operations | 1,620 | 2,118 | (23.5%) |
| Finance expenses | (35) | (22) | 59.1% |
| Share of profit of associated companies | (4) | 13 | NM |
| Profit before income tax | 1,581 | 2,109 | (25.0%) |
| Income tax expense | (16) | (88) | (81.8%) |
| Net profit | 1,565 | 2,021 | (22.6%) |
| Other comprehensive income | | | |
| Foreign currency translation | 669 | 1,366 | (51.0%) |
| Total comprehensive income for the period | 2,234 | 3,387 | (34.0%) |
| Profit attributable to: | | | |
| Owners of the parent | 1,629 | 2,460 | (33.8%) |
| Minority interests | (64) | (439) | (85.4%) |
| | 1,565 | 2,021 | (22.6%) |
| Total comprehensive income attributable to: | | | |
| Owners of the parent | 2,298 | 3,826 | (39.9%) |
| Minority interests | (64) | (439) | (85.4%) |
| | 2,234 | 3,387 | (34.0%) |

NM: Denotes not meaningful

Profit from operations included the following:

| | Group | |
|--|------------------|------------------|
| | 30-Jun-17 | 30-Jun-16 |
| | S\$'000 | S\$'000 |
| (a) Other income | | |
| Interest income | 91 | 10 |
| (b) Other gains/(losses)-net | | |
| Net (loss)/gain on disposal of property, plant and equipment | (12) | 22 |
| Currency exchange gain/(loss) –net | 119 | (72) |
| (c) Administrative expenses | | |
| Provision for doubtful trade debts | - | (575) |
| (d) Depreciation of property, plant and equipment | (883) | (857) |
| (e) Amortisation of intangible assets | - | (79) |

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-2017 S\$'000 | 31-Mar-2017 S\$'000 | 30-Jun-2017 S\$'000 | 31-Mar-2017 S\$'000 |
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 8,505 | 9,666 | 3,614 | 4,679 |
| Trade and other receivables | 61,699 | 52,566 | 68,401 | 63,054 |
| Contract work-in-progress | 461 | 1,493 | 199 | 891 |
| Other current assets | 1,844 | 2,115 | 952 | 1,759 |
| | 72,509 | 65,840 | 73,166 | 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 | 20,445 | 21,155 | 5,752 | 6,132 |
| Available-for-sale financial assets | 2,482 | 2,482 | 2,482 | 2,482 |
| Deferred income tax assets | 99 | 99 | - | - |
| Intangible assets | 4,440 | 4,440 | - | - |
| | 28,071 | 28,786 | 19,113 | 19,493 |
| Total assets | 100,580 | 94,626 | 92,279 | 89,876 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Trade and other payables | 27,856 | 24,504 | 28,118 | 26,667 |
| Current income tax liabilities | 15 | 38 | 2 | 22 |
| Borrowings | 6,538 | 6,118 | 34 | 85 |
| | 34,409 | 30,660 | 28,154 | 26,774 |
| Non-current liabilities | | | | |
| Borrowings | 70 | 92 | 9 | 18 |
| Deferred income tax liabilities | 994 | 1,001 | 466 | 466 |
| | 1,064 | 1,093 | 475 | 484 |
| Total liabilities | 35,473 | 31,753 | 28,629 | 27,258 |
| NET ASSETS | 65,107 | 62,873 | 63,650 | 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 | 1,963 | 1,293 | - | - |
| Retained earnings | 26,390 | 24,762 | 27,472 | 26,440 |
| Total | 64,531 | 62,233 | 63,650 | 62,618 |
| Minority interests | 576 | 640 | - | - |
| Total equity | 65,107 | 62,873 | 63,650 | 62,618 |

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

| | 30-Jun-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 | 6,538 | - | 6,118 | - |
| Amount repayable after one year | 70 | - | 92 | - |

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-17 S\$'000 | 30-Jun-16 S\$'000 |
| Cash flow from operating activities: | | |
| Total profit | 1,565 | 2,021 |
| Adjustment for : | | |
| Depreciation of property, plant and equipment | 883 | 857 |
| Amortisation of intangible assets | - | 79 |
| Net loss/(gain) from disposal of plant and equipment | 12 | (22) |
| Share of loss/(profit) of associated companies | 4 | (13) |
| Provision of impairment of trade and other receivables | 50 | 575 |
| Foreign exchange adjustments | 759 | 1,438 |
| Income tax expenses | 16 | 88 |
| Interest expense | 35 | 22 |
| Interest income | (91) | (10) |
| Operating cash flow before working capital changes | 3,233 | 5,035 |
| Changes in operating assets and liabilities, net of effects from acquisition of subsidiary | | |
| Contract work-in-progress | 1,032 | (3,247) |
| Trade and other receivables | (9,183) | 2,928 |
| Other current assets | 271 | 949 |
| Trade and other payables | 3,352 | (2,749) |
| Cash generated from operations | (1,295) | 2,916 |
| Income taxes paid | (45) | (403) |
| Net cash inflow from operating activities | (1,340) | 2,513 |
| Cash flows from investing activities | | |
| Purchases of property, plant and equipment | (219) | (595) |
| Proceeds from disposal of plant and equipment | 1 | 24 |
| Interest income received | 91 | 10 |
| Net cash outflow from investing activities | (127) | (561) |
| Cash flows from financing activities | | |
| Repayments of lease liabilities | (79) | (494) |
| Proceeds from trust receipts creditors | 478 | 1,086 |
| Proceeds from bank borrowings | - | 1,500 |
| Repayment of bank borrowings | 7 | (5,732) |
| Interest paid | (35) | (22) |
| Net cash outflow from financing activities | 371 | (3,662) |
| Net increase in cash and cash equivalents held | (1,096) | (1,710) |
| Cash and cash equivalents at beginning of the financial period | 8,446 | 12,286 |
| Effect of currency translation on cash and cash equivalents | (40) | (21) |
| Cash and cash equivalents at end of the financial period | 7,310 | 10,555 |
| Cash and cash equivalents represented by: | | |
| Bank and cash balances | 7,298 | 10,821 |
| Fixed deposits with financial institutions | 1,207 | 1,180 |
| Less: Bank overdrafts | (12) | (286) |
| Less: Restricted bank deposits | (1,183) | (1,160) |
| | 7,310 | 10,555 |

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 |
| 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 |

| Company | Share Capital | Retained Earnings | Total Equity |
|---|----------------------|--------------------------|---------------------|
| | S\$'000 | S\$'000 | S\$'000 |
| 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 |
| 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 |

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.

| | FY2018 | FY2017 |
|--|---------------|---------------|
| 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 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 June 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 dividend

| | Group | |
|---|-----------|-----------|
| | 30-Jun-17 | 30-Jun-16 |
| Earnings per share (cents) | | |
| Based on number of ordinary shares in issue (cents) | 0.54 | 0.81 |
| Based on fully diluted basis (cents) | 0.54 | 0.81 |
| Net profit attributable to ordinary shareholders for basic earnings per share (S\$'000) | 1,629 | 2,460 |
| Net profit attributable to ordinary shareholders for diluted earnings per share (S\$'000) | 1,629 | 2,460 |
| 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-17 | 31-Mar-17 | 30-Jun-17 | 31-Mar-17 |
| Net asset value per ordinary share (in cents) based on issued share capital as at the end of the period reported on | 21.2 | 20.5 | 21.0 | 20.6 |

The calculation of the net asset value per ordinary share issued is based on 303,750,000 shares at 30 June 2017 (31 March 2017: 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 (1QFY2018) Review

The Group's revenue for 1QFY2018 decreased by 8.0% from S\$39.4 million to S\$36.2 million as compared to 1QFY2017 mainly due to lower recognition of plant construction revenue in 1QFY2018. The gross profit decreased by 25.1 % from S\$7.1 million to S\$5.3 million mainly due to the lower revenue and lower margin.

The Group's administrative expenses decreased by 22% from S\$4.9 million to S\$3.9 million mainly due to a provision for doubtful trade debts of S\$0.6 million for 1QFY2017.

The Group's net profit attributable to shareholders for 1QFY2018 decreased by 33.8% from S\$2.5 million to S\$1.6 million as compared to 1QFY2017 mainly due to the factors mentioned above.

Statement of Financial Position Review

The increase of S\$9.1 million in trade and other receivables as at 30 June 2017 as compared to 31 March 2017 is mainly due to slower collections in 1QFY2018.

The increase of S\$3.1 million in trade and other payables as at 30 June 2017 as compared to 31 March 2017 is in line with the Group's business activities.

The total borrowings of S\$6.6 million as at 30 June 2017 had increased by S\$0.4 million compared to S\$6.2 million as at 31 March 2017 for working capital.

As at 30 June 2017, the Group's cash and cash equivalents stood at S\$8.5 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**

The environment for the oil-and-gas industry continue 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\$105 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 interim dividend has been recommended for the period ended 30 June 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 first quarter ended 30 June 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
14 August 2017