

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