

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

**UNAUDITED THIRD QUARTER AND NINE MONTHS FY2019 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 2018:

	Group			Group		
	3QFY19	3QFY18	Increase/ (Decrease)	9MFY19	9MFY18	Increase/ (Decrease)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Turnover	52,403	20,317	NM	124,627	87,059	43.2%
Cost of sales	(48,195)	(22,110)	NM	(135,325)	(84,215)	60.7%
Gross profit/(loss)	4,208	(1,793)	NM	(10,698)	2,844	NM
Gross profit margin	8.0%	-8.8%		-8.6%	3.3%	
Other income	1	6	(83.3%)	2	110	(98.2%)
Administrative costs	(3,032)	(4,696)	(35.4%)	(12,662)	(12,788)	(1.0%)
Other gain/(loss)- net	1,465	(65)	NM	1,862	1,188	56.7%
Profit/ (loss)from operations	2,642	(6,548)	NM	(21,496)	(8,646)	NM
Finance costs	(217)	(139)	56.1%	(601)	(232)	NM
Share of profit of associated companies	-	-	NM	-	(4)	NM
Profit/(loss) before tax	2,425	(6,687)	NM	(22,097)	(8,882)	NM
Income tax expense	(50)	(554)	(91.0%)	(134)	(806)	(83.4%)
Net profit /(loss)after tax	2,375	(7,241)	NM	(22,231)	(9,688)	NM
Other comprehensive income/ (loss)						
Foreign currency translation	39	(505)	NM	(975)	(653)	49.3%
Total comprehensive income/ (loss) for the period	2,414	(7,746)	NM	(23,206)	(10,341)	NM
Profit/ (loss)attributable to:						
Owner of the parent	2,871	(6,996)	NM	(21,215)	(8,998)	NM
Non-controlling interests	(496)	(245)	NM	(1,016)	(690)	47.2%
	2,375	(7,241)	NM	(22,231)	(9,688)	NM
Total comprehensive income / (loss) attributable to:						
Owner of the parent	2,908	(7,506)	NM	(22,211)	(9,658)	NM
Non-controlling interests	(494)	(240)	NM	(995)	(683)	45.7%
	(2,414)	(7,746)	NM	(23,206)	(10,341)	NM

NM: Denotes not meaningful

Profit from operations included the following:

	Group	
	3QFY19 S\$'000	3QFY18 S\$'000
(a) Other income		
Interest income	1	6
(b) Other gain/ (loss)- net		
Net gain/(loss) on disposal of property, plant and equipment	382	(2)
Currency exchange gain/(loss) -net	970	(113)
(c) Depreciation of property, plant and equipment	(1,249)	(1,004)

Group	
9MFY19 S\$'000	9MFY18 S\$'000
2	110
349	319
1,370	798
(3,575)	(2,790)

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-2018 S\$'000	31-Mar-2018 S\$'000	31-Dec-2018 S\$'000	31-Mar-2018 S\$'000
ASSETS				
Current assets				
Cash and cash equivalents	8,888	8,355	7,563	4,953
Trade and other receivables	58,585	43,084	66,617	46,850
Contract work-in-progress	3,150	9,741	518	5,898
Other current assets	4,545	4,042	1,639	2,608
Current income tax assets	6	-	-	-
	75,174	65,222	76,337	60,309
Non-current assets				
Club memberships	319	319	319	319
Investments in associated companies	310	310	-	-
Investments in subsidiaries	-	-	10,726	10,538
Property, plant and equipment	26,483	22,997	9,036	4,555
Available-for-sale financial assets	2,482	2,482	2,482	2,482
Deferred income tax assets	57	105	-	-
Intangible assets	503	503	-	-
	30,154	26,716	22,563	17,894
Total assets	105,328	91,938	98,900	78,203
LIABILITIES				
Current liabilities				
Trade and other payables	54,870	31,069	48,412	26,378
Current income tax liabilities	13	14	-	-
Borrowings	30,511	16,684	22,889	7,518
	85,394	47,767	71,301	33,896
Non-current liabilities				
Borrowings	319	444	-	-
Deferred income tax liabilities	67	975	478	478
	386	1,419	478	478
Total liabilities	85,780	49,186	71,779	34,374
NET ASSETS	19,548	42,752	27,121	43,829
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	36,178	36,178	36,178	36,178
Other reserves	1,215	2,210	-	-
(Accumulated loss)/retained earnings	(16,821)	4,391	(9,057)	7,651
Total	20,572	42,779	27,121	43,829
Minority interests	(1,024)	(27)	-	-
Total equity	19,548	42,752	27,121	43,829

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

	31-Dec-2018		31-Mar-2018	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amount repayable in one year or less, or on demand	30,511	-	16,684	-
Amount repayable after one year	319	-	444	-

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 19 S\$'000	3QFY 18 S\$'000	9MFY 19 S\$'000	9MFY 18 S\$'000
Cash flows from operating activities:				
Total profit/(loss)	2,375	(7,241)	(22,231)	(9,688)
Adjustments for :				
Depreciation of property, plant and equipment	1,249	1,004	3,575	2,790
Amortisation of intangible assets	-	-	-	-
Net (gain)/loss on disposal of property, plant and equipment	(382)	2	(349)	(319)
Net gain on disposal of club membership	(10)	-	(10)	-
Fixed assets written off	-	-	2	-
Share of profit of associated companies	-	-	-	4
Unrealised currency translation (gain)/ loss	123	(414)	(111)	(457)
Income tax expense	50	554	134	806
Interest expense	217	139	601	232
Interest income	(1)	(6)	(2)	(110)
Operating cash flow before working capital changes	3,621	(5,962)	(18,391)	(6,742)
Change in working capital				
Contract work-in-progress	2,514	(713)	6,591	(1,192)
Trade and other receivables	(9,912)	15,613	(15,501)	(3,381)
Other current assets	(909)	817	(503)	401
Trade and other payables	7,435	(4,468)	23,806	6,956
Cash generated from/(used in) operations	2,749	5,287	(3,998)	(3,958)
Income taxes paid	(901)	(592)	(1,002)	(846)
Net cash inflow/(outflow) from operating activities	1,848	4,695	(5,000)	(4,804)
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	386	47	530	381
Proceeds from disposal of club membership	10	(2,071)	10	(2,471)
Purchases of property, plant and equipment	(1,092)	-	(7,168)	-
Interest income received	1	6	2	110
Acquisition of subsidiaries	-	-	-	(634)
Net cash outflow from investing activities	(695)	(2,018)	(6,626)	(2,614)
Cash flows from financing activities				
Dividend paid	-	-	-	(1,519)
(Repayments) of lease liabilities	(49)	(56)	(163)	(148)
Proceeds from trust receipts creditors	2,219	-	7,178	4,147
Repayments of trust receipts creditors	(1,918)	(341)	(8,369)	(3,365)

Proceeds from bank borrowings	9,237	4,521	25,206	29,768
Repayment of bank borrowings	(3117)	(478)	(9,817)	(18,025)
Interest paid	(217)	(139)	(601)	(232)
Net cash inflow/(outflow) from financing activities	6,155	3,507	13,434	10,626
Net increase/(decrease) in cash and cash equivalents held	7,308	6,184	1,808	3,208
Effect of exchange rate change on cash and cash equivalents	17	(163)	175	(249)
Cash and cash equivalents at beginning of the financial period	1,341	5,384	6,683	8,446
Cash and cash equivalents at end of the financial period	8,666	11,405	8,666	11,405
Cash and cash equivalents represented by:				
Bank and cash balances	8,888	12,010	8,888	12,010
Fixed deposits with financial institutions	-	1,176	-	1,176
Less: Bank overdrafts	(222)	(631)	(222)	(631)
Less: Restricted bank deposits	-	(1,150)	-	(1,150)
	8,666	11,405	8,666	11,405

Reconciliation of liabilities arising from financing activities

	1-Apr-18	Principal	Repayment	Non-cash changes		31-Dec-18
	S\$'000	S\$'000	S\$'000	Acquisition	Foreign exchange movement	S\$'000
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Bank borrowings	(12,500)	(15,208)	9,817	-	-	(17,891)
Bank Financing (Trust Receipts)	(3,429)	(7,178)	8,369	-	9	(2,229)
Finance lease liability (Hire Purchase)	(654)	-	163	-	-	(491)
AR Invoice Financing	-	(9,998)	-	-	-	(9,998)

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
1HFY19						
As at 1 Apr 2018	36,178	2,211	4,393	42,782	(29)	42,753
Total comprehensive income for the period	-	(1,033)	(24,084)	(25,117)	(500)	(25,617)
As at 30 Sept 2018	36,178	1,178	(19,691)	17,665	(529)	17,136
3QFY19						
Total comprehensive income for the period	-	37	2,870	2,907	(495)	2,412
As at 31 Dec 2018	36,178	1,215	(16,821)	20,572	(1,024)	19,548
1HFY18						
As at 1 Apr 2017	36,178	1,294	24,761	62,233	640	62,873
Total comprehensive income for the	-	(152)	(2,000)	(2,152)	(443)	(2,595)

period						
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
3QFY18 Total comprehensive income for the period	-	(510)	(6,996)	(7,506)	(240)	(7,746)
As at 31 Dec 2017	36,178	632	14,246	51,056	479	51,535

Company	Share Capital S\$'000	Retained Earnings S\$'000	Total Equity S\$'000
1HFY19			
As at 1 Apr 2018	36,178	7,651	43,829
Total comprehensive income for the period	-	(19,622)	(19,622)
As at 30 Sept 2018	36,178	(11,971)	24,207
3QFY19			
Total comprehensive income for the period	-	2,914	2,914
As at 31 Dec 2018	36,178	(9,057)	27,121
1HFY18			
As at 1 Apr 2017	36,178	26,440	62,618
Total comprehensive income for the period	-	(1,518)	(1,518)
Dividend relating to FY2017 paid	-	(1,519)	(1,519)
As at 30 Sept 2017	36,178	23,403	59,581
3QFY18			
Total comprehensive income for the period	-	(4,680)	(4,680)
As at 31 Dec 2017	36,178	18,723	54,901

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.

	FY2019	FY2018
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 2018 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 2018, except for the adoption of new and revised Financial Reporting Standards (FRS) which are effective for financial periods beginning on or after 1 April 2018.

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 31 December 2018 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	
	3QFY19	3QFY18	9MFY19	9MFY18
Earning/(loss) per share (cents) Based on number of ordinary shares on issue (cents)	0.95	(2.30)	(6.98)	(2.96)
On fully diluted basis (cents)	0.95	(2.30)	(6.98)	(2.96)
Net earning/(loss) attributable to ordinary shareholders for basic earnings per share (S\$'000)	2,871	(6,996)	(21,215)	(8,998)
Net earning/(loss) attributable to ordinary shareholders for diluted earnings per share (S\$'000)	2,871	(6,996)	(21,215)	(8,998)
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-18	31-Mar-18	31-Dec-18	31-Mar-18
Net asset value per ordinary share (in cents) based on issued share capital as at the end of the period reported on	6.77	14.08	8.93	14.43

The calculation of the net asset value per ordinary share issued is based on 303,750,000 shares at 31 December 2018 (31 March 2018: 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 (3QFY2019) Review

The Group's revenue for 3QFY2019 increased to S\$52.4 million from S\$20.3 million for 3QFY2018 mainly due to higher recognition of revenue in 3QFY2019. The gross profit amounted to S\$4.2 million for 3QFY2019 as compared to a loss of S\$1.8 million for 3QFY 2018 mainly due to the higher revenue and lower operating costs.

The Group's administrative costs decreased from S\$4.7 million to S\$3.0 million mainly due to cost control on overheads.

The Group's net profits attributable to shareholders amounted to S\$2.9 million for 3QFY2019 as compared to a loss of S\$7.0 million for 3QFY2018 mainly due to the factors mentioned above.

Nine-Month (9MFY2019) Review

The Group's revenue for 9MFY2019 increased by 43.2% from S\$87.1 million to S\$124.6 million as compared to 9MFY2018 mainly due to higher recognition of revenue in 9MFY2019. The gross loss amounted to S\$10.7 million for 9MFY2019 as compared to a profit of S\$2.8 million mainly due to project cost overrun mentioned in the 2QFY2019 and 1HFY2019 results announcement on 14 November 2019.

The Group's net loss attributable to shareholders increased to S\$21.2 million from S\$9.0 million for 9MFY2018 mainly due to the factors mentioned above .

Statement of Financial Position Review

The increase of S\$15.5 million in trade and other receivables as at 31 December 2018 as compared to 31 March 2018 is mainly due to higher billings in 9MFY2019.

The decrease of S\$6.6 million in contract work-in-progress as at 31 December 2018 as compared to 31 March 2018 is in line with the project schedules.

The increase of S\$3.5 million in property, plant and equipment as at 31 December 2018 as compared to 31 March 2018 is mainly due to new purchases of plant and equipment in 9MFY2019.

The increase of S\$23.8 million in trade and other payables as at 31 December 2018 as compared to 31 March 2018 is mainly due to increased revenue.

The total borrowings of S\$30.8 million as at 31 December 2018 had increased by S\$13.7 million compared to S\$17.1 million as at 31 March 2018 for working capital.

As at 31 December 2018, the Group's cash and cash equivalents stood at S\$8.9 million as compared to S\$8.4 million as at 31 March 2018.

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\$120 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

Nil.

(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 31 December 2018.

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 2018 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
12 February 2019**