

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

**UNAUDITED THIRD QUARTER AND NINE MONTHS FY2020 FINANCIAL STATEMENT
AND DIVIDEND ANNOUNCEMENT**

The quarterly reporting is mandatory, made pursuant to the Exchange's requirements, as required under Listing Rule 705(2C).

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 2019:

	Group			Group		
	3QFY20	3QFY19	Increase/ (Decrease)	9MFY20	9MFY19	Increase/ (Decrease)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Turnover	31,774	46,525	-31.7%	111,345	108,969	2.2%
Cost of sales	(33,179)	(45,240)	-26.7%	(115,664)	(122,349)	-5.5%
Gross loss	(1,405)	1,285	NM	(4,319)	(13,380)	-67.7%
Gross loss margin	-4.4%	2.8%		-3.9%	-12.3%	
Other income	-	1	-100.0%	1	2	-50.0%
Administrative costs	(3,748)	(3,031)	23.7%	(12,490)	(12,661)	-1.4%
Other (loss)/gain- net	(255)	634	NM	532	1,031	-48.4%
Loss from operations	(5,408)	(1,111)	NM	(16,276)	(25,008)	-34.9%
Finance costs	(198)	(217)	-8.8%	(598)	(601)	-0.5%
Share of profit of associated companies	-	-	NM	(14)	-	NM
Loss before tax	(5,606)	(1,328)	NM	(16,888)	(25,609)	-34.1%
Income tax expense	-	(50)	-100.0%	(5)	(134)	-96.3%
Net loss after tax	(5,606)	(1,378)	NM	(16,893)	(25,743)	-34.4%
Items that may be reclassified subsequently to P&L						
Currency translation differences arising from consolidation	(920)	893	NM	(393)	(159)	NM
Items that will not be reclassified subsequently to P&L						
Currency translation differences arising from consolidation	(14)	(19)	-26.3%	2	(18)	NM
Total comprehensive loss for the period	(6,540)	(504)	NM	(17,284)	(25,920)	-33.3%
Loss attributable to:						
Owner of the parent	(5,429)	(834)	NM	(16,039)	(24,533)	-34.6%
Non-controlling interests	(177)	(544)	-67.5%	(854)	(1,210)	-29.4%
	(5,606)	(1,378)	NM	(16,893)	(25,743)	-34.4%
Total comprehensive loss attributable to:						
Owner of the parent	(6,349)	59	NM	(16,432)	(24,692)	-33.5%
Non-controlling interests	(191)	(563)	-66.1%	(852)	(1,228)	-30.6%
	(6,540)	(504)	NM	(17,284)	(25,920)	-33.3%

NM: Denotes not meaningful

Profit from operations included the following:

	Group	
	3QFY20	3QFY19
	S\$'000	S\$'000
(a) Other income		
Interest income	-	1
(b) Other gain/(loss) - net		
Net gain on disposal of	13	382

	Group	
	9MFY20	9MFY19
	S\$'000	S\$'000
	1	2
	35	349

property, plant and equipment		
Currency exchange (loss)/gain –net	(407)	139
(c) Depreciation of property, plant and equipment	(985)	(1,249)

374	539
(3,188)	(3,575)

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-2019 S\$'000	31-Mar-2019 S\$'000	31-Dec-2019 S\$'000	31-Mar-2019 S\$'000
ASSETS				
Current assets				
Cash and cash equivalents	1,645	8,098	73	6,512
Trade and other receivables	22,336	25,435	34,138	29,085
Contract assets	8,955	22,285	1,120	17,813
Other current assets	5,637	6,281	770	1,762
	38,573	62,099	36,101	55,172
Non-current assets				
Club memberships	270	270	270	270
Investments in associated companies	283	297	-	-
Investments in subsidiaries	-	-	4,831	5,018
Property, plant and equipment	24,413	26,447	7,135	8,497
Financial assets, at FVOCI	1,307	1,307	1,307	1,307
Deferred income tax assets	57	57	-	-
	26,330	28,378	13,543	15,092
Total assets	64,903	90,477	49,644	70,264
LIABILITIES				
Current liabilities				
Trade and other payables	33,469	36,153	28,026	35,201
Provision for onerous contracts	237	5,852	183	5,852
Contract liabilities	12,914	10,590	7,433	3,414
Current income tax liabilities	21	7	-	-
Borrowings	27,655	29,950	19,316	21,125
	74,296	82,552	54,958	65,592
Non-current liabilities				
Borrowings	271	284	-	-
Deferred income tax liabilities	912	933	478	478
	1,183	1,217	478	478
Total liabilities	75,479	83,769	55,436	66,070
NET (LIABILITIES)/ASSETS	(10,576)	6,708	(5,792)	4,194
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	36,178	36,178	36,178	36,178
Other reserves	(202)	191	(1,175)	(1,175)
Accumulated losses	(45,143)	(29,104)	(40,795)	(30,809)
Total	(9,167)	7,265	(5,792)	4,194
Non-controlling interests	(1,409)	(557)	-	-
Total equity	(10,576)	6,708	(5,792)	4,194

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

	31-Dec-2019		31-Mar-2019	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amount repayable in one year or less, or on demand	27,655	-	29,950	-
Amount repayable after one year	271	-	284	-

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 20 S\$'000	3QFY 19 S\$'000	9MFY 20 S\$'000	9MFY 19 S\$'000
Cash flows from operating activities:				
Total loss	(5,606)	(1,378)	(16,893)	(25,743)
Adjustments for :				
Depreciation of property, plant and equipment	985	1,249	3,188	3,575
Net loss on disposal of property, plant and equipment	(13)	(382)	(35)	(349)
Net gain on disposal of club membership	-	(10)	-	(10)
Fixed assets written off	-	-	-	2
Share of profit of associated companies (Write-back)/ allowance made for impairment of trade and other receivables	(94)	-	(20)	-
Unrealised currency translation loss	(794)	935	(748)	664
Income tax expense	-	50	5	134
Interest expense	212	688	612	1,072
Interest income	-	(1)	(1)	(2)
Operating cash flow before working capital changes	(5,310)	1,151	(13,878)	(20,657)
Change in working capital				
Contract assets	3,874	(73)	13,329	45,050
Trade and other receivables	1,648	(7,192)	3,119	(45,156)
Other current assets	887	(908)	644	(502)
Contract liabilities	2,985	3,676	2,323	6,587
Trade and other payables	(869)	5,654	(8,334)	10,235
Cash generated from/(used in) operations	3,215	2,308	(2,797)	(4,443)
Income taxes paid	(9)	(8)	(12)	(109)
Net cash inflow/(outflow) from operating activities	3,206	2,300	(2,809)	(4,552)
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	13	409	36	553
Proceeds from disposal of club membership	-	10	-	10
Purchases of property, plant and equipment	(102)	(1,092)	(493)	(7,168)
Interest income received	-	1	1	2
Net cash outflow from investing activities	(89)	(672)	(456)	(6,603)
Cash flows from financing activities				
Repayments of lease liabilities	(53)	(69)	(158)	(183)
Proceeds from trust receipts creditors	10,539	2,219	19,929	7,178
Repayments of trust receipts creditors	(13,886)	(1,918)	(20,662)	(8,369)

Proceeds from bank borrowings	-	6,008	10,013	15,208
Repayment of bank borrowings	(125)	(3,117)	(10,888)	(9,817)
Proceeds from AR invoice financing	11,532	9,999	30,074	23,618
Repayments of AR invoice financing	(12,482)	(6,769)	(31,024)	(13,619)
Interest paid	(205)	(668)	(582)	(1,052)
Net cash (outflow)/ inflow from financing activities	(4,680)	5,685	(3,298)	12,964
Net (decrease)/ increase in cash and cash equivalents held	(1,563)	7,313	(6,563)	1,809
Effect of exchange rate change on cash and cash equivalents	(70)	12	22	174
Cash and cash equivalents at beginning of the financial period	2,721	1,341	7,629	6,683
Cash and cash equivalents at end of the financial period	1,088	8,666	1,088	8,666
Cash and cash equivalents represented by:				
Bank and cash balances	1,645	8,888	1,645	8,888
Fixed deposits with financial institutions				
Less: Bank overdrafts	(557)	(222)	(557)	(222)
	1,088	8,666	1,088	8,666

Reconciliation of liabilities arising from financing activities

	1-Apr-19	Proceeds from borrowings	Principal and interest payments	Non-cash changes		31-Dec-19
				Interest expenses	Foreign exchange movement	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Bank borrowings	16,125	10,013	(11,062)	173	-	15,249
Bank Financing (Trust Receipts)	3,194	19,929	(20,853)	191	175	2,636
Finance lease liability (Hire Purchase)	446	118	(158)	20	7	433
AR Invoice Financing	10,000	30,074	(31,226)	202	-	9,050

	1-Apr-18	Proceeds from borrowings	Principal and interest payments	Non-cash changes		30-Dec-18
				Interest expenses	Foreign exchange movement	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Bank borrowings	12,500	15,208	(10,172)	355	-	17,891
Bank Financing (Trust Receipts)	3,429	7,178	(8,369)	-	(9)	2,229
Finance lease liability (Hire Purchase)	654	-	(183)	20	-	491
AR Invoice Financing	-	23,618	(13,715)	95	-	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	(Accumulated loss) / Retained Earnings	Total	Minority interests	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
1HFY20						
As at 1 Apr 2019	36,178	191	(29,104)	7,265	(557)	6,708
Total comprehensive income/(loss) for the period	-	527	(10,610)	(10,083)	(661)	(10,744)
As at 30 Sept 2019	36,178	718	(39,714)	(2,818)	(1,218)	(4,036)
3QFY20						
Total comprehensive income/(loss) for the period	-	(920)	(5,429)	(6,349)	(191)	(6,540)
As at 31 Dec 2019	36,178	(202)	(45,143)	(9,167)	(1,409)	(10,576)
1HFY19						
As at 1 Apr 2018	36,178	2,233	8,346	46,757	(182)	46,575
Total comprehensive loss for the period	-	(1,052)	(23,699)	(24,751)	(665)	(25,416)
As at 30 Sept 2018	36,178	1,181	(15,353)	22,006	(847)	21,159
3QFY19						
Total comprehensive income/(loss) for the period	-	893	(834)	59	(563)	(504)
As at 31 Dec 2018	36,178	2,074	(16,187)	22,065	(1,410)	20,655

Company	Share Capital	Other Reserves	Retained Earnings	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000
1HFY20				
As at 1 Apr 2019	36,178	(1,175)	(30,809)	4,194
Total comprehensive loss for the period	-	-	(8,038)	(8,038)
As at 30 Sept 2019	36,178	(1,175)	(38,847)	(3,844)
3QFY20				
Total comprehensive loss for the period	-	-	(1,948)	(1,948)
As at 31 Dec 2019	36,178	(1,175)	(40,795)	(5,792)
1HFY19				
As at 1 Apr 2018	36,178	-	12,014	48,192
Total comprehensive loss for the period	-	-	(18,606)	(18,606)
As at 30 Sept 2018	36,178	-	(6,592)	29,586
3QFY19				
Total comprehensive income for the period	-	-	1,275	1,275
As at 31 Dec 2018	36,178	-	(5,317)	30,861

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.

	FY2020	FY2019
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 2019 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 concurrently adopted SFRS(I) 16 Leases.

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	
	3QFY20	3QFY19	9MFY20	9MFY19
Loss per share (cents) Based on number of ordinary shares on issue (cents)	(1.8)	(0.3)	(5.3)	(8.1)
On fully diluted basis (cents)	(1.8)	(0.3)	(5.3)	(8.1)
Net loss attributable to ordinary shareholders for basic earnings per share (S\$'000)	(5,429)	(834)	(16,039)	(24,533)
Net loss attributable to ordinary shareholders for diluted earnings per share (S\$'000)	(5,429)	(834)	(16,039)	(24,533)

Weighted average number of ordinary shares in issue applicable to basic/diluted earnings per share ('000)	303,750	303,750	303,750	303,750
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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-19	31-Mar-19	31-Dec-19	31-Mar-19
Net asset value per ordinary share (in cents) based on issued share capital as at the end of the period reported on	(3.0)	2.4	(1.9)	1.4

The calculation of the net asset value per ordinary share issued is based on 303,750,000 shares at 31 December 2019 (31 March 2019: 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 (3QFY2020) Review

The Group's revenue for 3QFY2020 decreased to S\$31.8 million from S\$46.5 million for 3QFY2019 mainly due to lower recognition of revenue in 3QFY2020. The gross loss amounted to S\$1.4 million for 3QFY2020 as compared to a profit of S\$1.3 million for 3QFY 2019 mainly due to the higher operating costs.

The Group's net loss attributable to shareholders increased to S\$5.4 million for 3QFY2020 from S\$0.8 million for 3QFY2019 mainly due to the factors mentioned above.

Nine-Month (9MFY2020) Review

The Group's revenue for 9MFY2020 increased to S\$111.3 million from S\$109.0 million for 9MFY2019 mainly due to higher recognition of revenue in 9MFY2020. The gross loss for 9MFY2020 decreased to S\$4.3 million from S\$13.4 million for 9M FY2019.

The Group's net loss attributable to shareholders decreased to S\$16.0 million from S\$24.5 million for 9MFY2019 mainly due to the factors mentioned above.

Statement of Financial Position Review

The decrease of S\$3.1 million in trade and other receivables as at 31 December 2019 as compared to 31 March 2019 is mainly due to increase in collections in 9MFY2020.

The decrease of S\$13.3 million in contract assets as at 31 December 2019 as compared to 31 March 2019 is in line with the project schedules.

The decrease of S\$2.7 million in trade and other payables as at 31 December 2019 as compared to 31 March 2019 is mainly due to decreased in cost of sales.

The increase of S\$2.3 million in contract liabilities as at 31 December 2019 as compared to 31 March 2019 is in line with the project schedules

The total borrowings of S\$27.9 million as at 31 December 2019 had decreased by S\$2.3 million compared to S\$30.2 million as at 31 March 2019.

As at 31 December 2019, the Group's cash and cash equivalents stood at S\$1.6 million as compared to S\$8.1 million as at 31 March 2019.

Working Capital Review

As at 31 December 2019, the Group's current liabilities including borrowings from banks of S\$27.7 million exceeded current assets by S\$35.7 million. Part of the current liabilities comprised contract liabilities of S\$14.2 million which are invoiced to customers but have yet to be recognised as revenue.

In view of the current situation, the Group is embarking on a restructuring and realignment exercise including the disposal of some of its assets. This exercise is expected to free up cash, which is needed as working capital for existing projects, as well as for repayment to existing creditors. The Group has also undergone various costs-cutting measures such as reduction of its headcount and streamlining of its operating processes to improve efficiency and effectiveness.

Cash Flow Statement Review

As at 31 December 2019, the Group's cash and cash equivalents stood at S\$1.6 million as compared to S\$8.1 million as at 31 March 2019. The Group reported a net decrease in cash and cash equivalents of S\$6.5 million mainly due to net cash used in operating activities, investing activities and financing activities of S\$2.8 million, S\$0.4 million and S\$3.3 million respectively.

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 outlook for process sector of the oil-and-gas industry is showing signs of improvement, which is likely to translate to higher capital expenditure by major customers in the near to medium term. However, the Group continues to face a challenging operating environment with intense competition. The Group has lost some new projects due to the fierce competition and its current financial position.

As at the date of this announcement, the Group's outstanding order book stands at S\$74 million.

The Board is evaluating and streamlining the Company's business with a view to increasing its cash flow and profitability. In terms of its business, in addition to focusing on its plant construction and maintenance segment for which the Group has a strong track record in, it intends to scale down the engineering, procurement and construction projects. The Company is relooking its manpower requirements and has undertaken a headcount reduction exercise in order to achieve further reductions in costs. The Board is also considering the disposal of some of its assets, including freehold land and buildings in Thailand, as well as leasehold properties in Singapore.

The Company has appointed a financial consultant to review the financial position and viability assessment of the Group. The consultant has advised that the restructured business is viable if the Group is able to streamline its operation and undertake the cost cutting measures as planned. The Group is also looking into selling its properties in Thailand and Singapore for settlement of its liabilities. Pending the above, the Board is unable to conclude if the Group can operate as a going concern at this stage.

The Board would like to also highlight that the Group has not recorded in its financial statements, unrealised surplus of approximately S\$65 million on revaluation of its properties, based on valuations carried out.

The Group has also been in discussions with various strategic parties on possible alliances and corporate exercises. Appropriate announcement(s) will be made once further details are available.

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/recommended, a statement to that effect

No interim dividend has been recommended for the period ended 31 December 2019.
The Company wishes to reserve adequate resources for the Company's ongoing projects.

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 2019 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 February 2020**