

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

**UNAUDITED THIRD QUARTER AND NINE MONTHS FY2018 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 2017:

	Group				Group		
	3QFY18	3QFY17	Increase/ (Decrease)		9MFY18	9MFY17	Increase/ (Decrease)
	S\$'000	S\$'000	%		S\$'000	S\$'000	%
Turnover	20,317	32,977	(38.4%)		87,059	123,486	(29.5%)
Cost of sales	(22,110)	(28,314)	(21.9%)		(84,215)	(107,176)	(21.4%)
Gross (loss)/profit	(1,793)	4,663	NM		2,844	16,310	(82.6%)
Gross profit margin	-8.8%	14.1%			3.3%	13.2%	
Other income	6	5	20.0%		110	18	NM
Administrative costs	(4,696)	(4,105)	14.4%		(12,788)	(13,534)	(5.5%)
Other (loss)/gain- net	(65)	401	NM		1,188	857	38.6%
(Loss)/profit from operations	(6,548)	964	NM		(8,646)	3,651	NM
Finance costs	(139)	(26)	NM		(232)	(79)	NM
Share of profit of associated companies	-	1	NM		(4)	12	NM
(Loss)/profit before tax	(6,687)	939	NM		(8,882)	3,584	NM
Income tax (expense)/credit	(554)	4	NM		(806)	(38)	NM
Net (loss)/profit after tax	(7,241)	943	NM		(9,688)	3,546	NM
Other comprehensive income							
Foreign currency translation	(505)	142	NM		(653)	1,844	NM
Total comprehensive (expense)/income for the period	(7,746)	1,085	NM		(10,341)	5,390	NM
(Loss)/profit attributable to:							
Owner of the parent	(6,996)	929	NM		(8,998)	4,260	NM
Non-controlling interests	(245)	14	NM		(690)	(714)	(3.4%)
	(7,241)	943	NM		(9,688)	3,546	NM
Total comprehensive (expense)/income attributable to:							
Owner of the parent	(7,506)	1,057	NM		(9,658)	6,076	NM
Non-controlling interests	(240)	28	NM		(683)	(686)	(0.4%)
	(7,746)	1,085	NM		(10,341)	5,390	NM

NM: Denotes not meaningful

Profit from operations included the following:

	Group			Group	
	3QFY18 S\$'000	3QFY17 S\$'000		9MFY18 S\$'000	9MFY17 S\$'000
(a) Other income					
Interest income	6	5		110	18
(b) Other (loss)/gain- net					
Net (loss)/gain on disposal of property, plant and equipment	(2)	-		319	23
Currency exchange (loss)/gain -net	(113)	396		798	763
(c) Administrative expenses					
Bad debt provided	-	-		-	(575)
(d) Depreciation of property, plant and equipment	(1,004)	(912)		(2,790)	(2,701)
(e) Amortisation of intangible assets	-	(79)		-	(237)

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-2017 S\$'000	31-Mar-2017 S\$'000	31-Dec-2017 S\$'000	31-Mar-2017 S\$'000
ASSETS				
Current assets				
Cash and cash equivalents	13,186	9,666	7,179	4,679
Trade and other receivables	56,719	52,566	68,027	63,054
Contract work-in-progress	2,685	1,493	967	891
Other current assets	1,797	2,115	931	1,759
Current income tax assets	4	-	27	-
	74,391	65,840	77,131	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	23,759	21,155	4,883	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	-	-
	31,861	28,786	18,244	19,493
Total assets	106,252	94,626	95,375	89,876
LIABILITIES				
Current liabilities				
Trade and other payables	33,862	24,504	28,232	26,667
Current income tax liabilities	17	38	-	22
Borrowings	19,341	6,118	11,776	85
	53,220	30,660	40,008	26,774
Non-current liabilities				
Borrowings	515	92	-	18
Deferred income tax liabilities	982	1,001	466	466
	1,497	1,093	466	484
Total liabilities	54,717	31,753	40,474	27,258
NET ASSETS	51,535	62,873	54,901	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	632	1,293	-	-
Retained earnings	14,246	24,762	18,723	26,440
Total	51,056	62,233	54,901	62,618
Minority interests	479	640	-	-
Total equity	51,535	62,873	54,901	62,618

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

	31-Dec-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	19,341	-	6,118	-
Amount repayable after one year	515	-	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	
	3QFY 18 S\$'000	3QFY 17 S\$'000	9MFY 18 S\$'000	9MFY 17 S\$'000
Cash flows from operating activities:				
Total (loss)/profit	(7,241)	943	(9,688)	3,546
Adjustments for :				
Depreciation of property, plant and equipment	1,004	912	2,790	2,701
Amortisation of intangible assets	-	79		237
Net gain/(loss) on disposal of property, plant and equipment	2	-	(319)	(23)
Provision for doubtful trade debts	-	-	-	575
Share of profit/(loss) of associated companies	-	1	4	(12)
Unrealised currency translation (gain)/ loss	(414)	(240)	(457)	1,162
Income tax expense	554	(4)	806	38
Interest expense	139	26	232	79
Interest income	(6)	(5)	(110)	(18)
Operating cash flow before working capital changes	(5,962)	1,712	(6,742)	8,285
Change in working capital				
Contract work-in-progress	(713)	(688)	(1,192)	(2,315)
Trade and other receivables	15,613	9,433	(3,381)	10,193
Other current assets	817	(1,094)	401	(549)
Trade and other payables	(4,468)	(11,655)	6,956	(11,666)
Cash generated from/(used in) operations	5,287	(2,292)	(3,958)	3,948
Income taxes paid	(592)	(23)	(846)	(392)
Net cash inflow/(outflow) from operating activities	4,695	(2,315)	(4,804)	3,556
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	47	1	381	61
Purchases of property, plant and equipment	(2,071)	(82)	(2,471)	(1,380)
Acquisition of additional interests in subsidiary	-	-	-	-
Interest income received	6	5	110	18
Acquisition of subsidiaries	-	-	(634)	-
Net cash outflow from investing activities	(2,018)	(76)	(2,614)	(1,301)
Cash flows from financing activities				
Dividend paid	-	-	(1,519)	(3,038)
Decrease in bank deposits pledged	-	(71)	-	(84)

(Repayments) of lease liabilities	(56)	(206)	(148)	(656)
(Repayments of)/proceeds from trust receipts creditors	(341)	(3,196)	782	(2,045)
Proceeds from bank borrowings	4,521	1,565	29,768	13,066
Repayment of bank borrowings	(478)	(3,467)	(18,025)	(14,693)
Interest paid	(139)	(26)	(232)	(79)
Net cash inflow/(outflow) from financing activities	3,507	(5,401)	10,626	(7,529)
Net increase/(decrease) in cash and cash equivalents held	6,184	(7,792)	3,208	(5,274)
Effect of exchange rate change on cash and cash equivalents	(163)	141	(249)	218
Cash and cash equivalents at beginning of the financial period	5,384	14,882	8,446	12,287
Cash and cash equivalents at end of the financial period	11,405	7,231	11,405	7,231
Cash and cash equivalents represented by:				
Bank and cash balances	12,010	7,218	12,010	7,218
Fixed deposits with financial institutions	1,176	1,265	1,176	1,265
Less: Bank overdrafts	(631)	(9)	(631)	(9)
Less: Restricted bank deposits	(1,150)	(1,243)	(1,150)	(1,243)
	11,405	7,231	11,405	7,231

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
1HFY18						
As at 1 Apr 2017	36,178	1,294	24,761	62,233	640	62,873
Total comprehensive income for the period	-	(152)	(2,000)	(2,152)	(443)	(2,595)
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
1HFY17						
As at 1 Apr 2016	36,178	(79)	26,846	62,945	1,509	64,454
Total comprehensive income for the period	-	1,688	3,331	5,019	(714)	4,305
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
3QFY17						
Total comprehensive income for the period	-	127	930	1,057	28	1,085
As at 31 Dec 2016	36,178	1,736	28,069	65,983	823	66,806

Company	Share Capital S\$'000	Retained Earnings S\$'000	Total Equity S\$'000
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
1HFY17			
As at 1 Apr 2016	36,178	32,473	68,651
Total comprehensive income for the period	-	5,749	5,749
Dividend relating to FY2016 paid	-	(3,038)	(3,038)
As at 30 Sept 2016	36,178	35,184	71,362
3QFY17			
Total comprehensive income for the period	-	938	938
As at 31 Dec 2016	36,178	36,122	72,300

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.

	FY2018	FY2017
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 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 31 December 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	
	3QFY18	3QFY17	9MFY18	9MFY17
Earning/(loss) per share (cents) Based on number of ordinary shares on issue (cents)	(2.30)	0.31	(2.96)	1.40
On fully diluted basis (cents)	(2.30)	0.31	(2.96)	1.40
Net earning/(loss) attributable to ordinary shareholders for basic earnings per share (S\$'000)	(6,996)	929	(8,998)	4,260
Net earning /(loss) attributable to ordinary shareholders for diluted earnings per share (S\$'000)	(6,996)	929	(8,998)	4,260
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-17	31-Mar-17	31-Dec-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	16.80	20.50	18.10	20.60

The calculation of the net asset value per ordinary share issued is based on 303,750,000 shares at 31 December 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

Third Quarter (3QFY2018) Review

The Group's revenue for 3QFY2018 decreased by 38.4% from S\$33.0 million to S\$20.3 million as compared to 3QFY2017 mainly due to lower recognition of revenue in 3QFY2018. The gross loss amounted to S\$1.8 million for 3QFY2018 as compared to a profit of S\$4.7 million for 3QFY 2017 mainly due to the lower revenue and higher than expected operating costs.

The Group's administrative costs increased from S\$4.1 million to S\$4.7 million mainly due to consolidation of a newly acquired 51% owned subsidiary and setting-up expenses of the Middle East operation.

The Group's net loss attributable to shareholders amounted to S\$7.0 million for 3QFY2018 as compared to a profit of S\$0.9 million for 3QFY2017 mainly due to the factors mentioned above.

Nine-Month (9MFY2018) Review

The Group's revenue for 9MFY2018 decreased by 29.5% from S\$123.5 million to S\$87.1 million as compared to 9MFY2017 mainly due to lower recognition of plant construction revenue in 9MFY2018. The gross profit decreased by 82.6% from S\$16.3 million to S\$2.8 million mainly due to the lower revenue and higher than expected operating costs in 9MFY2018.

The Group's net loss attributable to shareholders amounted to S\$9.0 million for 9MFY2018 as compared to a profit of S\$4.3 million for 9MFY2017 mainly due to the factors mentioned above

Statement of Financial Position Review

The increase of S\$4.2 million in trade and other receivables as at 31 December 2017 as compared to 31 March 2017 is mainly due to slower collections in 9MFY2018.

The increase of S\$2.6 million in property, plant and equipment as at 31 December 2017 as compared to 31 March 2017 is mainly due to consolidation of a newly acquired 51% owned subsidiary and setting-up of the Middle East operation.

The increase of S\$9.4 million in trade and other payables as at 31 December 2017 as compared to 31 March 2017 is mainly due to working capital management.

The total borrowings of S\$19.9 million as at 31 December 2017 had increased by S\$13.7 million compared to S\$6.2 million as at 31 March 2017 for working capital.

As at 31 December 2017, the Group's cash and cash equivalents stood at S\$13.2 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\$93 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 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 third quarter and the nine months ended 31 December 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
7 February 2018