



HIAP SENG ENGINEERING LTD

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



NEWS RELEASE

HIAP SENG'S RESULTS ANNOUNCEMENT FOR 4QFY2015 AND FY2015

Singapore, May 26, 2015 – Hiap Seng Engineering Ltd (“Hiap Seng” or the “Group”), a specialist integrated engineering group for the oil-and-gas, petrochemical and pharmaceutical industries, today announced its results for the fourth quarter and full year ended March 31, 2015 (“4QFY2015” and “FY2015” respectively).

Hiap Seng registered a 29.8% decrease in revenue to S\$48.1 million in 4QFY2015 from S\$68.5 million in 4QFY2014 largely due to lower recognition of project revenue during the period. In line with lower sales, gross profit slid 25.9% from S\$5.2 million for the fourth quarter ended March 31, 2014 (“4QFY2014”) to S\$3.8 million in 4QFY2015. An allowance for impairment of receivables of S\$4.7 million provided by a Malaysian subsidiary which had completed certain projects in East Malaysia led mainly to the significant 79.5% jump in administrative costs, from S\$5.2 million in 4QFY2014 to S\$9.4 million in 4QFY2015. Excluding this allowance, administrative costs would have decreased by 9.8% from S\$5.2 million to S\$4.7 million over the same period.

Correspondingly, the Group registered a net loss attributable to shareholders of S\$4.3 million in 4QFY2015 from a net profit attributable to shareholders of S\$1.3 million in 4QFY2014.

For FY2015, revenue dipped marginally by 2.1% to S\$253.1 million from S\$258.6 million in the previous corresponding period (“FY2014”). However, due to cost overruns and increasing labour costs experienced in FY2015, Hiap Seng’s gross profit declined by 46.2% to S\$10.3 million from S\$19.1 million over the same period. Coupled with higher administrative costs, Hiap Seng’s net loss attributable to shareholders rose to S\$13.2 million in FY2015 from S\$3.4 million in FY2014.

Mr. Frankie Tan, Chairman and CEO of Hiap Seng said, “Amidst the uncertain market conditions of the oil-and-gas industry, Hiap Seng, like other industry players, was similarly affected. Notwithstanding the macro uncertainties, we are pleased to have secured our third contract this month worth approximately S\$43 million for the provision of mechanical works for the Mogas-Cogen Project on Jurong Island, scheduled for completion by September 2016. Earlier this month, we secured two contracts worth US\$11 million for the provision of offshore gas compressor packages, scheduled for completion by March 2016. These contracts are expected to contribute positively to our earnings.

To remain competitive, we will look at ways to further streamline our operations. We have recently disposed of our 60% stake in PT Technic Engineering Sdn Bhd, which was adversely affected by depressed oil prices and the disposal has resulted in a gain of S\$2.5 million. We will stay lean and continue to optimise operations to generate efficiencies and deliver value to our shareholders.”

Proposed Dividends

To reward its loyal shareholders, the Group has proposed a one-tier tax exempt dividend of 0.5 cent per ordinary share. The proposed dividend, if approved by the shareholders at the forthcoming Annual General Meeting, will be paid on August 28, 2015.

As at March 31, 2015, the Group's cash and cash equivalents stood at S\$17.9 million, with a net cash position of S\$10.4 million, an improvement from net bank borrowings of S\$29.6 million as at March 31, 2014.

The Group's order book as at May 26, 2015 stood at S\$145 million.

Outlook

The outlook of the oil-and-gas industry remains uncertain. However, barring any unforeseen circumstances, the Directors of the Group are cautiously optimistic about the Group's performance for the current financial year ending March 31, 2016.

The Group continues to focus on controlling costs and directing efforts towards improving the overall operational productivity and at the same time, explore other business opportunities.

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 six well-equipped fabrication yards in Singapore, Malaysia and Thailand with a total land area of about 2.5 million sq ft and a workforce of over 2,000 well-trained and skilled employees.

Hiap Seng made its maiden appearance on Forbes' list of Top 200 Asia-Pacific firms with sales under US\$1 billion in September 2010. The list, called "Best Under A Billion," selects the top-performing firms with 12,000 publicly listed companies with sales of less than US\$1 billion. Selections were based on companies' profitability, growth, modest indebtedness and future prospects.

On December 13, 2010, Hiap Seng was conferred the coveted Business Superbrands Award in Singapore. The Business Superbrands status is awarded to some of the world's strongest examples of business to business brands.

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