



HIAP SENG ENGINEERING LTD

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

NEWS RELEASE

HIAP SENG'S RESULTS ANNOUNCEMENT FOR 4QFY2016 AND FY2016

Singapore, May 26, 2016 – Hiap Seng Engineering Ltd (“Hiap Seng” or the “Group”), a specialist integrated engineering group for the oil-and-gas, petrochemical and pharmaceutical industries, today reported a turnaround in net profit attributable to shareholders of S\$1.9 million and S\$6.0 million for the fourth quarter and full year ended March 31, 2016 (“4QFY2016” and “FY2016” respectively).

The Group registered a 15.7% increase in revenue to S\$55.6 million in 4QFY2016 from S\$48.1 million in the previous corresponding quarter (“4QFY2015”) largely due to higher plant maintenance revenue during the period. In line with topline increase, the Group’s gross profit rose by 65.8% to S\$6.4 million from S\$3.8 million over the same period. With better cost controls, gross profit margin rose 3.4 percentage points to 11.4% in 4QFY2016 from 8.0% in 4QFY2015. An allowance for impairment of receivables of S\$4.7 million provided by a Malaysian subsidiary in 4QFY2015 led mainly to the 57.7% decrease in administrative costs from S\$9.4 million to S\$4.0 million in 4QFY2016. Excluding this allowance, administrative costs would have decreased by only 15.7% to S\$4.0 million from S\$4.7 million over the same period.

Mainly in line with higher revenue and better cost management, Hiap Seng consequently saw a turnaround in net profit attributable to shareholders to S\$1.9 million in 4QFY2016 from a net loss of S\$4.3 million in 4QFY2015.

For FY2016, revenue dipped 33.7% to S\$167.9 million from S\$253.1 million in the previous full year ended March 31, 2015 (“FY2015”) mainly due to lower recognition of project revenue. Nonetheless, Hiap Seng achieved a better performance in FY2016 with a turnaround in net profit attributable to shareholders to S\$6.0 million as compared to a net loss attributable to shareholders of S\$13.2 million in FY2015. This was due to better cost controls, which led to a rise in gross profit margin by 9.9 percentage points to 14.0% in FY2016; and a recognition of an additional billing amounting to S\$1.0 million from a project completed previously.

Mr. Frankie Tan, Chairman and CEO of Hiap Seng said, “We are pleased to have seen a turnaround in our financial performance since the start of this financial year. We are also delighted to have secured two contracts amidst keen competition and volatile conditions faced by all industry players in the oil-and-gas sector. We were awarded a S\$18.3 million contract for the provision of mechanical works in relation to plant maintenance and construction, scheduled for completion in July 2016 and February 2017 respectively. As a boost to our recurring income, we secured a three-year project from Singapore Refining Company, for the plant maintenance of its refinery located on Jurong island, effective for the period from 1 April 2016 to 31 March 2019. These contracts are expected to contribute positively to our earnings.”

Hiap Seng held cash and cash equivalents of S\$13.5 million and had a healthy net cash position of S\$8.2 million as at March 31, 2016.

The Group’s outstanding order book as at February 12, 2016 stood at S\$138 million.

Proposed Dividends

To reward its loyal shareholders, the Group has proposed a one-tier tax exempt dividend of 1.0 cent per ordinary share as compared to 0.5 cent per ordinary share for the previous year. The proposed dividend, if approved by the shareholders at the forthcoming Annual General Meeting, will be paid on August 26, 2016.

Outlook

The Directors of Hiap Seng remain cautiously optimistic on the Group's performance for the current financial year ending March 31, 2017 barring any unforeseen circumstances.

Mr. Frankie Tan added, "With a healthy order book and net cash position, this will put us in a firm position to weather through this cycle along with the rest of the industry. At the same time, through prudent cost management, productivity measures and a focus on seeking out new and profitable business opportunities, we aim to continue to deliver value to our shareholders."

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 five well-equipped fabrication yards in Singapore and Thailand with a total land area of about 2.2 million sq ft and a workforce of about 1,500 well-trained and skilled employees.

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