# MUN SIONG ENGINEERING LIMITED

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## NEWS RELEASE

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UPSWING IN PROFITABILITY AND PROFIT MARGIN:

- PROFIT BEFORE INCOME TAX IMPROVES 53.9% TO S$5.3 MILLION
- NET PROFIT MARGIN IMPROVES 59.5%

SHAREHOLDERS CONTINUE TO BE REWARDED:

- 108.3% INCREASE IN CASH DIVIDEND
- 6.4% DIVIDEND YIELD

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**Singapore, 16th February 2015** - Mainboard listed Mun Siong Engineering Limited ("Mun Siong") and its subsidiaries ("Group"), a turnkey solution provider to the process industry in Singapore, again reported a strong showing of its profitability and profit margins for FY2014 despite a marginal decrease in revenue.

**Our accomplishments in FY2014**

The Group's strategy of stringent projects selection continues to pay good dividend, whereby it only undertakes projects that maximize the returns for its production assets - human resource and capital employed.

Despite a marginal decrease in revenue, gross profit was S$11.9 million in FY2014 as compared to S$9.5 million in FY2013. There was an improvement of 28.4% in gross profit margin in FY2014 (14.9%) over FY2013 (11.6%).

Profit before income tax in FY2013 was S$3.5 million. In FY2014, profit before income tax improved by 53.9% to S$5.3 million.

Importantly, flowing from the improvement in gross profit margin, net profit margin shows a 59.5% improvement. Profit margin at profit before income tax in FY2014 was 6.7% as compared to 4.2% in FY2013.

**Rewarding shareholders**

A total cash dividend of 0.5 cents per share comprising a tax-exempt (one-tier) final dividend of 0.15 cents per share and a tax-exempt (one-tier) special dividend of 0.35 cents per share in respect of FY2014 will be proposed at the forthcoming annual general meeting for declaration and payment. This translates to a dividend yield of 6.4% based on the closing share price of 7.8 cents on 11th February 2015.

**Navigating forward**

*Our concerns:*

The Group's management views the recent volatility in oil prices in global commodities markets to have impact on the Group's ability to continue to secure new projects and maintain profitability.

In the event that oil prices continues to trade at low levels, the Group's key customers may be forced to review their investment plans for new facilities and upgrading of current facilities. This may result in deferment or cancellation of their investments plans or a scaling down on the value of their investment. In either case the Group's profitability will be negatively affected.

*The silver lining:*

It is also noted that with a decline in oil prices, the opportunity cost to facility owners to shut down and upgrade or maintain current production facilities will be substantially lower. The Group currently holds a number of maintenance contracts for major production facilities. This will put the Group in a good position to take advantage of such business opportunities.

To-date, the economic benefit of lower oil prices to major global economies is yet to be felt. If the economic benefits of cheaper oil prices are able to stimulate economic growth, our key customers may continue to embark on their investment plans for new or upgrade existing facilities.

*Our strategy forward*

Since 2013, the management has been widening the range of products and services to its customers. This has resulted in the Group adding specialized coating, scaffolding, overhauling and maintenance of rotating equipment, supply of pumps and fabrication of equipment skids to its capabilities. The Group has also been active in seeking business opportunities in neighbouring countries. However, the Group continues to adopt a cautious stance in its business expansion. This is to ensure that the Group's overall business risk does not increase substantially.

**Our strength**

Shareholders' fund as at 31 December 2014 stood at S$54.4 million, working capital (current assets less current liabilities) was S$35.8 million and cash balance was S$15.5 million.

In FY2014, based on profit before income tax of S$5.3 million against our shareholders' funds of S$54.4 million, we generated a return on investment of 9.7%.

******** End of Release*********

***About Mun Siong Engineering Limited*** **(*SGX Stock Code: MF6, Bloomberg: MSE: SP, Reuters: MSEL.SI)***

*Mun Siong Engineering Limited* (文祥机械工程公司) *a well-diversified group of companies with its core business in providing plant services and turnkey projects in piping and steel* *structure fabrication, static and rotating mechanical equipment detailed engineering and supply; electrical and instrumentation services and scaffolding works for process plants and modules for the oil, gas, petrochemicals, energy, chemicals and power industries.*

*The Mun Siong Group offers a range of products and services. Under the subsidiary, Wing Wah Industrial Services, we distribute, service and package pump skids like Edwards Vacuum Pumps, Weir Minerals- Floway pumps; Weir Gabbioneta pumps; Hughes pumps; Ampco Pumps and STB seals. As an integrated service provider, Mun Siong Group is also able to provide design and engineering solutions and the ability to deliver superior quality products and services to its customers.*

*In 2014, Mun Siong Group has won one WSH Performance Awards (Silver); a WSH Award for Supervisors as well as a Silver award in WSH Innovation Award 2014. The award is given out by the organisers in recognition of companies for their commitment and efforts in eliminating or controlling workplace safety and health hazard, as well as innovative solutions which improve safety and health outcomes.*

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