



MUN SIONG ENGINEERING LIMITED

FIRST QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE
PERIOD ENDED 31 MARCH 2016



MUN SIONG ENGINEERING LIMITED

(Incorporated in the Republic of Singapore)

(Company registration number: 196900250M)

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FIRST QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2016

1(a)(i) A statement of comprehensive income (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		
	Qtr ended 31 Mar		Incr / (Decr)
	2016 1Q	2015 1Q	
	\$'000	\$'000	%
Revenue	19,416	16,370	18.6
Cost of sales	(18,190)	(14,338)	26.9
Gross profit	1,226	2,032	(39.7)
Other income	643	527	22.0
Administrative expenses	(1,494)	(1,662)	(10.1)
Other operating income	12	13	7.7
Results from operating activities	387	910	(57.5)
Finance costs	(10)	(10)	-
Profit before income tax	377	900	(58.1)
Income tax (expense)/ credit	(36)	135	126.7
Profit after income tax	341	1,035	(67.1)
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation difference from foreign operation	(6)	1	NM
Total comprehensive income	335	1,036	(67.7)
Profit attributable to:			
Owners of the Company	341	1,035	(67.1)
Total comprehensive income attributable to:			
Owners of the Company	335	1,036	(67.7)

NM: Not meaningful

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(Incorporated in the Republic of Singapore)

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1(a)(ii) The statement of comprehensive income is arrived after charging/(crediting) the following:

	Group	
	Qtr ended 31 Mar	
	FY2016	FY2015
	Q1	Q1
	\$'000	\$'000
Depreciation of property, plant and equipment	889	922
Amortisation of intangible asset	37	37
Net (gain)/loss on disposal of property, plant and equipment	1	(12)
Interest income	(49)	(34)
Interest on borrowings	10	10
Net foreign exchange (gain) / loss	(13)	(13)
Over provision for prior year tax expense	(7)	(327)


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1(b)(i) A statement of financial position (for the Company and Group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group			Company		
	31 Mar'16 \$'000	31 Dec'15 \$'000	Change %	31 Mar'16 \$'000	31 Dec'15 \$'000	Change %
Non-current assets						
Property, plant and equipment	16,341	16,789	(2.7)	14,456	14,795	(2.3)
Intangible asset	1,003	1,040	(3.6)	1,003	1,040	(3.6)
Investment properties	1,310	1,310	-	1,310	1,310	-
Goodwill on consolidation	1,001	1,001	-	-	-	NM
Subsidiaries	-	-	NM	5,336	4,436	20.3
Total non-current assets	19,655	20,140	(2.4)	22,105	21,581	2.4
Current assets						
Inventories	182	146	24.7	182	146	24.7
Contract work-in-progress	6,427	8,601	(25.3)	5,125	7,312	(29.9)
Trade and other receivables	18,918	21,254	(11.0)	17,863	20,002	(10.7)
Cash and cash equivalents	27,676	24,804	11.6	12,867	11,140	15.5
Total current assets	53,203	54,805	(2.9)	36,037	38,600	(6.6)
Total assets	72,858	74,945	(2.8)	58,142	60,181	(3.4)
Equity attributable to equity holders of the Company						
Share capital	26,069	26,066	0.0	26,069	26,066	0.0
Capital reserve	9	9	-	9	9	-
Translation reserve	-	6	NM	-	-	NM
Retained earnings	31,906	31,565	1.1	18,275	17,895	2.1
Total equity attributable to owners of the Company	57,984	57,646	0.6	44,353	43,970	0.9
Non-current liabilities						
Provision for restoration costs	308	304	1.3	307	304	1.0
Deferred tax liabilities	1,412	1,408	0.3	1,271	1,281	(0.8)
Total non-current liabilities	1,720	1,712	0.5	1,578	1,585	(0.4)
Current liabilities						
Trade and other payables	11,067	13,165	(15.9)	10,221	12,305	(16.9)
Excess of progress billings over contract work-in-progress	1,267	1,380	(8.2)	1,267	1,377	(8.0)
Loans and borrowings	499	698	(28.5)	499	698	(28.5)
Current tax payable	321	344	(6.7)	224	246	NM
Total current liabilities	13,154	15,587	(15.6)	12,211	14,626	(16.5)
Total liabilities	14,874	17,299	(14.0)	13,789	16,211	(14.9)
Total equity and liabilities	72,858	74,945	(2.8)	58,142	60,181	(3.4)

NM: Not meaningful

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1(b)(ii) Aggregate amount of Group's borrowings and debt securities***Amount repayable in one year or less, or on demand***

31 March 2016		31 December 2015	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
499	-	698	-

Amount repayable after one year

31 March 2016		31 December 2015	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
-	-	-	-

Details of any collateral

The borrowings were secured against certain operating assets of the Group under hire-purchase facilities.

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1(c) A cash flow statement (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	2016	2015
	1Q	1Q
	\$'000	\$'000
Cash flows from operating activities		
Profit before income tax	377	900
Adjustments for:		
Depreciation of property, plant and equipment	889	922
Interest expense	10	10
Amortisation of intangible asset	37	37
Interest income	(49)	(34)
Net gain on disposal of property, plant and equipment	1	(12)
Operating cash flow before working capital changes	1,265	1,823
Changes in inventories	(35)	(336)
Changes in contract work-in-progress and excess of progress billings over contract work-in-progress	2,060	-
Changes in trade and other receivables	2,335	5,363
Changes in trade and other payables	(2,099)	(2,546)
Changes in provision for restoration costs	4	-
Cash generated from operating activities	3,530	4,304
Tax credit received	7	328
Income tax paid	(62)	(7)
Net cash generated from operating activities	3,475	4,625
Cash flows from investing activities		
Interest received	49	34
Proceeds from disposal of property, plant and equipment	21	12
Acquisition of property, plant and equipment	(462)	(1,128)
Proceeds from disposal of asset classified as held for sale	-	180
Net cash used in investing activities	(392)	(902)
Cash flows from financing activities		
Proceeds from exercise of warrants	3	1,237
Repayment of loans and borrowings	(198)	(198)
Interest paid	(10)	(10)
Net cash (used in)/generated from financing activities	(205)	1,029
Net increase in cash and cash equivalents	2,878	4,752
Cash and cash equivalents at beginning of period/year	24,804	15,538
Effect of exchange rate fluctuations on cash held	(6)	1
Cash and cash equivalents at end of period/year	27,676	20,291



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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.

Amount in \$'000	Share capital	Capital reserve	Retained earnings	Translation reserve	Total equity
The Group					
At 1 January 2016	26,066	9	31,565	6	57,646
Total comprehensive income for the period					
Profit for the period	-	-	341	-	341
Other comprehensive income for the period:-					
Foreign currency translation difference from foreign operation	-	-	-	(6)	(6)
Total comprehensive income for the period	-	-	341	(6)	335
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Shares issued for exercise of warrants	3	-	-	-	3
Total transactions with owners	3	-	-	-	3
At 31 March 2016	26,069	9	31,906	-	57,984
At 1 January 2015	24,582	75	29,763	(6)	54,414
Total comprehensive income for the period					
Profit for the period	-	-	1,035	-	1,035
Other comprehensive income for the period:-					
Foreign currency translation difference from foreign operation	-	-	-	1	1
Total comprehensive income for the period	-	-	1,035	1	1,036
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Shares issued for exercise of warrants	1,239	(2)	-	-	1,237
Total transactions with owners	1,239	(2)	-	-	1,237
At 31 March 2015	25,821	73	30,798	(5)	56,687
The Company					
At 1 January 2016	26,066	9	17,895		43,970
Total comprehensive income for the period					
Profit for the period	-	-	380		380
Total comprehensive income for the period	-	-	380		380
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Shares issued for exercise of warrants	3	-	-		3
Total transactions with owners	3	-	-		3
At 31 March 2016	26,069	9	18,275		44,353
At 1 January 2015	24,582	75	19,055		43,712
Total comprehensive income for the period					
Profit for the period	-	-	524		524
Total comprehensive income for the period	-	-	524		524
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Shares issued for exercise of warrants	1,239	(2)	-		1,237
Total transactions with owners	1,239	(2)	-		1,237
At 31 March 2015	25,821	73	19,579		45,473

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1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for 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 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.

On 11 September 2014, the Company issued 166,683,200 warrants upon completion of the Proposed Renounceable Non-underwritten Rights Issue of up to 166,683,200 warrants ("Warrants") at an issue price of S\$0.0015 for each Warrant, as announced on 6 May 2014 (the "Warrant Issue"). The Warrants were listed and quoted on the Main Board of the SGX-ST on 15 September 2014. Each Warrant carries the right to subscribe for one (1) new ordinary share in the capital of the Company at an exercise price of S\$0.01 for each new share.

For the period from 1 January 2016 to 31 March 2016, 336,000 Warrants were exercised and converted into 336,000 ordinary shares at the exercise price of \$0.01 per share. Except as mentioned above, there have been no changes in the issued share capital of the Company since the end of the last period reported on.

	2016 1Q	2015 1Q
Issued and paid-up shares		
As at beginning of the period	563,672,100	421,836,200
Shares issued pursuant to exercise of warrants	336,000	123,661,500
As at end of the period	564,008,100	545,497,700
Treasury shares	NIL	NIL
Total number of issued shares excluding treasury shares as at end of the period	564,008,100	545,497,700
Total outstanding warrants as at end of the period	19,383,100	37,893,500

1 (d)(iii) 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 immediately preceding year.

	As at 31 Mar 2016	As at 31 Dec 2015
Total number of shares	564,008,100	563,672,100
Less: Treasury shares	NIL	NIL
Total number of issued shares excluding treasury shares	564,008,100	563,672,100

1 (d)(iv) A statement showing all sales, transfers, disposals, cancellations and/or use of treasury shares at the end of the current financial period reported on.

Not applicable. There were no treasury shares.



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2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The financial statements have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a 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 Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as compared to the most recent audited financial statements for the year ended 31 December 2015 save for those disclosed in Para 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 following new/amended FRSs have become effective from 1 January 2016:

Amendments to FRSs

- FRS 1 Presentation of Financial Statements
- FRS 16 Property, Plant and Equipment
- FRS 27 Separate Financial Statements
- FRS 28 Investments in Associates and Joint Ventures
- FRS 38 Intangible Assets
- FRS 110 Consolidated Financial Statements
- FRS 111 Joint Arrangements
- FRS 112 Disclosure of interests in other entities

Improvements to FRSs (November 2014)

- FRS 19 Employee Benefit Plans: Employee Contributions
- FRS 105 Non-current Assets Held for Sale and Discontinued Operations

The adoption of the above FRSs (including consequential amendments) does not have any significant impact on the financial statements for the financial period ended 31 March 2016.

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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	
	1Q 2016	1Q 2015
EPS (based on consolidated net profit attributable to equity holders)		
- on weighted average number of ordinary shares in issue (cents)	0.06	0.23
- on fully diluted basis (cents)	0.06	0.21
<hr/>		
Weighted average number of shares in issue during the period used in computing basic EPS	563,797,589	458,996,509
<hr/>		
Weighted average number of shares in issue during the period used in computing diluted EPS	580,003,132	492,268,850

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-**

(a) current financial period reported on; and

(b) immediately preceding financial year

	Group		Company	
	31 Mar 2016	31 Dec 2015	31 Mar 2016	31 Dec 2015
Net asset value per ordinary share based on existing issued share capital as at the respective dates (cents)	10.28	10.23	7.86	7.80
<hr/>				
Number of shares (issued and issuable) used in computing net asset value per ordinary share	564,008,100	563,672,100	564,008,100	563,672,100

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**

(a) 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; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Notes to the statement of comprehensive income

- (i) Revenue and profitability

Revenue for the current quarter ("1Q2016") of \$19.4 million was 18.6% higher than that in the corresponding prior quarter ("1Q2015") with higher volume of project work completed during the current period under review.



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Cost of sales for 1Q2016 increased in tandem with the higher revenue.

Gross profit margins of 6.3% for the quarter were lower as compared to 12.4% in the corresponding prior period due to the higher cost of sales.

Accordingly profit before taxation decreased for 1Q2016 to S\$0.4 million as compared to S\$0.9 million recorded in the corresponding prior quarter.

Included in other income were one-off receipts from IRAS wage credit scheme and MOM special employment credit of S\$0.3 million (1Q2015: S\$0.3 million).

(ii) Other income

The increase in other income was mainly due to the receipts of Special Employment Credits from the Ministry of Manpower and Wage Credit Scheme payout from IRAS for 2015 and a Capability Development Grant of S\$240K from Spring Singapore.

(iii) Administrative expenses

Administrative expenses for 1Q2016 were lower as compared the prior corresponding quarter mainly due to the absence of a contribution of \$100K towards participation in the CII initiative for an integrated approach to Management Practices & Productivity Measurement for the Singapore Chemical Industry.

(iv) Other expenses

Other expenses recorded a net gain arising from foreign exchange transactions.

(v) Finance expenses

The finance cost refers to the hire purchase interest incurred on the financing of operating equipment acquired in 2012.

(vi) Income tax (expense) / credit

The Group recorded an expense of S\$36K for the current quarter as compared to a tax credit of S\$135K for the prior corresponding quarter.

The tax credit of S\$135K arose following a refund of S\$327K in respect of tax assessment for the prior year following the transfers of unutilized tax losses and capital allowances between subsidiaries under the application of group relief.

Notes to statements of financial position

Group and Company

(i) Property, plant and equipment

The decrease was mainly due to depreciation expense of S\$0.9 million offset by the acquisition of operating assets of S\$0.5 million to upgrade and enhance the Group's capabilities.

(ii) Intangible Asset

The decrease was due to the amortisation of the exclusive licencing rights for the provision of specialised coating services and methodology in Singapore and Malaysia.



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(iii) Investment in subsidiaries

Investment in subsidiaries increased by S\$0.9 million following the additional cash subscription in the share capital of OHM Engineering Pte Ltd (“OHM”) as announced on 1 March 2016. The additional investment will empower OHM with greater flexibility to further increase the number and dollar value of projects that it can undertake.

(iv) Inventories and contract work-in-progress

The decrease in contract work-in-progress was mainly due progressive completion of work done on projects.

(v) Trade and other receivables

Trade and other receivables decreased due to the realisation of receivables during the quarter.

(vii) Loans and borrowings

The decrease in loans and borrowings was mainly due to the repayment of hire purchase instalments. The outstanding amount will be fully re-paid within the current year.

(viii) Trade and other payables

The decrease was due to the settlement of payables during the quarter.

(ix) Deferred tax liabilities and tax payable

The deferred tax liabilities was mainly due to the recognition of the temporary timing differences arising from the general provisions and claim on capital allowances on qualifying assets.

The tax payable of S\$321K comprised a tax provision of S\$39K in respect of the current quarter and S\$282K in respect of the prior year.

(x) Equity

Total equity of the Group increased from S\$57.6 million as at 31 December 2015 to S\$58.0 million as at 31 March 2016. The increase was mainly attributed to the increase in revenue reserve which arose from profit generated by the Group during the quarter.

During the current quarter, a total of 336,000 warrants have been exercised and the share capital is increased accordingly.

Notes to cash flow statement

The Group continues to register positive cash flows generated from its operation. Working capital (current assets less current liabilities) was S\$40.0 million (as at 31 March 2016) as compared with S\$39.2 million (as at 31 December 2015).

For the quarter, the net operating cash inflow of S\$3.5 million arose mainly from the profit from operations and realisation of receivables.

The Group’s cash balance as at 31 March 2016 was S\$27.7 million, an increase of S\$2.9 million from S\$24.8 million as at 31 December 2015. This is after taking into consideration cash outlay of S\$0.5 million invested to acquire operating assets to further enhance the Group’s capabilities and productivity.



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9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast was previously provided.

10. A commentary at the date of the 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 the process industry in Singapore continues to be challenging.

The crude oil market continues to be plagued by oversupply due to the slowdown in major global economies (particularly China) and the inability of key producers to reach a consensus to reduce production levels.

The oversupply situation has resulted in selling prices being depressed below its cost of production. Many of our business partners have substantial business interest in the exploration and extraction of crude oil. The inability for the selling price to cover the cost of production has negatively affected the financial performance of many of our business partners.

The Group has witnessed in recent months the intense competition for new jobs (projects or maintenance works), and in addition our business partners has reduced prices in many instances. Despite the reduction in pricing, the scope of work in many instances have increased, and noticeably key performance indices relating to safety and job execution have been raised significantly.

These developments have put further pressure on our profitability. The Group expects these challenges to continue in FY 2016 and will likely intensify if the selling price for spot crude oil continues to deteriorate.

To address these challenges, the Group has been selective in its bidding for new jobs or projects. Further measures to tighten cost and project management have been undertaken.

An update on our order book

Despite challenging conditions, the Group has secured new contracts in Jurong Island worth approximately S\$22.0 million for completion by end of 2016 for project works involving all of the Group's core competencies.

Besides project works, the Group has successfully entered into the tank rehabilitation business through securing a medium term maintenance contract on Jurong Island. In addition, the same business partner has renewed and expanded the coverage of its maintenance contract with the Group.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No interim dividend for the three months ended 31 March 2016 is recommended.



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(b) Corresponding Period of the Immediately Preceding Financial Year

Not applicable.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommendeded, a statement to that effect.

No interim dividend for the three months ended 31 March 2016 is recommended.

13. If the group has obtained a general mandate from shareholders for 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 has not sought any shareholders' mandate for interested person transactions pursuant to Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited. There was no IPT of S\$100,000 and above for the period under review.

14. Use of IPO Proceeds and Warrant Issue

a) Warrant Issue

In September 2014, the Company raised gross proceeds of S\$250K from the subscription of 166,683,200 warrants at the issue price of S\$0.0015 per warrant ("Warrants Issue"). After deducting the professional fees as well as related expenses for the Warrants Issue, the finalised net proceeds is S\$77K.

As at the date of this announcement, the net proceeds of S\$77K from the subscription of the Warrants Issue had been fully utilised to purchase materials for operations. The utilisation is in accordance with its intended purpose as working capital as disclosed in the Offer Information Statement dated 18 August 2014.

As at the date of this announcement, 148,998,100 warrants had been exercised since the issue of the warrants and a total proceed of about S\$1.49 million was raised and the status of the proceeds is as follow:

	Amount (S\$'000)
Proceeds from warrants conversion	1,490
Purchase of vehicles	(407)
Purchase of equipment	(618)
Purchase of materials and services for operations	(443)
Balance	22

**MUN SIONG ENGINEERING LIMITED**

(Incorporated in the Republic of Singapore)

(Company registration number: 196900250M)

b) IPO Proceeds

The proceeds raised from the Company's IPO, after deducting listing expenses of approximately S\$2.5 million was approximately S\$18.9 million. As at the end of the current year, the Company has utilised the aforesaid proceeds as follows:

Purpose	Amount raised S\$'000	Change of Use S\$'000	Utilisation		Total Utilised S\$'000	Balance S\$'000
			up to 2015 S\$'000	1st Qtr 2016 S\$'000		
To establish a regional presence	4,000	-	(1,790)	(3)	(1,793)	2,207
To establish an engineering design centre and upgrade of existing database management system	1,000	-	(621)	(53)	(674)	326
Widening the range of services available to our customers	12,500	(7,709)	(4,791)	-	(4,791)	-
Working Capital	1,400	7,709	(9,109)	-	(9,109)	-
Total	18,900	-	(16,311)	(56)	(16,367)	2,533

The use of proceeds is in accordance with its stated use.

15. Confirmation pursuant to Rule 705(5).

The Board of Directors of the Company hereby confirm to their best knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial statements for the quarter ended 31 March 2016 to be false or misleading in any material respect.

16. Confirmation of undertakings from Directors and Executive Officers pursuant to Rule 720(1).

The Company confirms that it has procured the undertakings from all its Directors and Executive Officers in the format as set out in Appendix 7.7 pursuant to Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

CHENG WOEI FEN
EXECUTIVE CHAIRLADY

6 MAY 2016