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A. QUARTERLY UPDATE PURSUANT TO RULE 1313(2) COMPLIANCE WITH THE MINIMUM TRADING PRICE ("MTP") EXIT CRITERION

B. GUIDANCE TO THE FINANCIAL PERFORMANCE AND POSITION OF THE GROUP 1Q2020 – JANUARY TO MARCH

Mun Siong Engineering Limited (the "**Company**") together with its subsidiaries and associated companies (the "**Group**") wishes to update shareholders on the following matters:

A. Quarterly update pursuant to Rule 1313(2) compliance with the Minimum Trading Price (the "MTP") exit criterion

We refer to the announcement dated 2 June 2017 relating to the inclusion of the Company onto the watch-list due to the Minimum Trading Price ("**MTP**") Entry Criterion with effect from 5 June 2017.

The Company must take active steps to meet the requirements of Listing Rule 1314(2) within 36 months from 5 June 2017, failing which the Exchange would delist the Company or suspend trading in the Company's shares with a view to delisting the Company.

The Board of Directors has reviewed the options available to meet the MTP exit criteria. Taking into account various factors including volatile and uncertainty conditions in the equity capital market and the impact of oversupply and consequently weak crude oil prices on the Group's major business partners, the Board is of the view that it is not the appropriate time to make a decision as to which option will best serve the interests of the shareholders of the Company at this point in time. The Company will keep the shareholders informed on the outcome of the Board's review.

B. Guidance to the financial performance and position of the Group for 1Q2020 – January to March

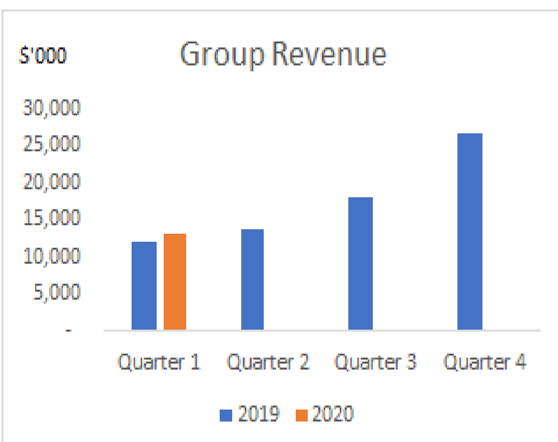
The Group has on 20 February 2020 announced that it will not continue with the quarterly reporting of the Company and Group financial statements, and instead, the Company will announce the financial statements of the Company and the Group on a half-yearly basis, as required under the amended listing rules, announced by the SGX-ST on 7 February 2020.

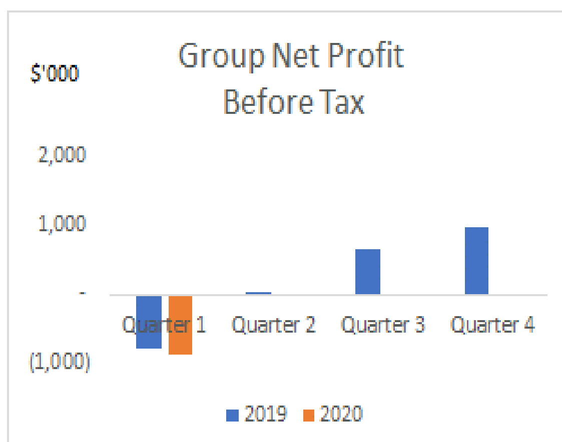
However, in light of the current volatile and uncertain economic environment caused by the outbreak of Covid-19, the Board of Directors would like to provide shareholders and investors guidance on the Group's financial performance and position. This guidance is part of the continuous engagement between the Board of Directors and various stakeholders, especially shareholders, investors, employees and business partners.

It should be noted that the information below is based on the Group's management accounts and they are prepared on the basis of accounting principles described and consistent with the Group's Annual Report FY2019. The Group's auditors, Messrs KPMG LLP, have not reviewed these management accounts and guidance statement below. The statement contained in the paragraph "Operating Environment" should not be construed as forward looking statement relating to the Group's future performance.

Shareholders and investors should consult their stock brokers, bank managers, solicitors and other professional advisers if they have any doubt about the actions that they should take.

Financial Performance and Position





The Group recorded revenue of $13.0 million for 1Q2020, an increase of $0.9 million or 7.1% from 1Q2019 ($12.2 million). The Taiwan and Malaysia operations (which the Group's recently gained access to in FY2019) recorded a total revenue of $1.0 million. This increase offset the decline of revenue of $0.1 million from the Singapore operations.

The Singapore operations registered a decline in revenue due to slowdown in job activities because of Covid-19. A number of current job sites saw a reduction in labor productivity due to the imposition of safe distancing measures by the relevant authorities. These measures include a reduction in the number of workers working at each job sites. Some business partners have also deferred projects that were previously awarded to the Group. This has negatively affected our revenue. Profit margins of jobs undertaken in 1Q2020 were also lowered compared to 1Q2019.

The Group incurred both negative gross profit and margin of $0.3 million and 2.3% (respectively) for 1Q2020 as compared to positive gross profit and margin of $0.3 million and 2.1% (respectively) in 1Q2019. Profitability from the Taiwan operations were unable to offset the negative gross profit incurred by the Singapore and Malaysia operations (which was affected by the imposition of Movement Control Order (the "**MCO**").

Other income increased by 12% or $27,000 to $0.3 million for the current quarter (1Q2019: $0.2 million).

The Group incurred an administration costs of $1.46 million for 1Q2020, an increase of 13.7% or $0.2 million from 1Q2019. The increase was mainly due to administration costs incurred for our overseas offices and higher insurance costs (security bond) for the additional foreign workers.

Due to the weakening of the Singapore dollars against the US dollars in 1Q2020, the Group converted a significant portion of its US dollars holdings to Singapore dollars. This resulted in the recognition of an exchange gain of $0.6 million in the quarter under review. This is in contrast to an exchange loss of $58,000 in 1Q2019.

The Group recorded a pre-tax loss of $0.9 million for the current quarter as compared to a pre-tax loss of $0.8 million in 1Q2019.

As at 31 March 2020, the Group's shareholders' funds stood at $54.3 million (31 December 2019 was $55.1 million and 31 March 2019 was $54.1 million). Net working capital (current assets less current liabilities) as at 31 March 2020 was $40.9 million (31 December 2019 was $41.7 million and 31 March 2019 was $41.5 million).

The bank and cash balances as at 31 March 2020 stood at $34.0 million (31 December 2019 was $27.4 million and 31 March 2019 was $29.4 million). Both long term and short term borrowings (including hire purchase liabilities) as at 31 March 2020 was $0.4 million (31 December 2019 was $0.5 million and 31 March 2019 was $0.8 million).

<u>Operating Environment</u>

The recent down trend of crude oil prices, falling below US$30 per barrel, is likely to see many of our business partners reviewing, downsizing or deferring their capital expenditure plans. The Group is dependent on these capital expenditures for its revenue.

Singapore (Further to the announcement dated 6 April 2020).

The Group's operations have been classified as essential services by the Ministry of Trade and Industry ("**MTI**") during the Circuit Breaker Period (the "**CCB**"). The Group, with the approval from the relevant authorities, has moved 390 workers into accommodations designated by the relevant authorities or business partners.

This has allowed the Group to deploy about 37% (or 290 workers) of its total direct workforce to continue providing essential services to our business partners. The Group have been working closely with our business partners on the scheduling of work to ensure effective deployment of the limited human resource. For the remaining 100 workers, we are seeking approval from MTI to allow them to be deployed.

The remaining Group's foreign workers are housed at both Westlite Toh Guan and Westlite Papan dormitories. The former has been designated by the relevant authorities as an isolation area. Residents in an isolated area will have to remain within the dormitories compound. As at the date of this announcement, 1 of our foreign workers, housed at Westlite Toh Guan, has been tested positive for the Covid-19. The management, working with the relevant authorities, has been providing continuous support to all our foreign workers.

Our ability to deploy only 37% of our total workforce have negative impact on the profitability of the Group. This is after taking into consideration the various grants and waiver of foreign workers levies by the government. The housing of part of our workforce at various designated accommodations will also increase our operating cost.

On 9 March 2020, the Group accepted the offer from Jurong Town Corporation to extend the current premises at 35 Tuas Road for another 3 years, expiring on 16 August 2023.

Malaysia

The services that the Group provides in Malaysia has been classified as essential services during the MCO. This has allowed 80% of the total workforce there to be deployed. As at the date of this announcement, Malaysia will now observe a Conditional MCO with effect from 4 May 2020. The changes include a more relaxed approach to the MCO; almost all sectors of the economy and business activities will be allowed to operate. Prior to the MCO, the Group was scheduled to assume in March 2020 certain sites designated by Petronas from the incumbent contractors. This has been deferred and the Group is awaiting directions from Petronas. [Note: we are expected to take over and manage the entire plant's maintenance under the contract designated units in March 2020.]

On 4 March 2020, the Group injected share capital of $120,000 (RM367,000) to support the Malaysia operations.

Taiwan

Unlike the Singapore and Malaysia government, the Taiwanese government has not imposed any restrictions on the movement on its population. The Group will continue to seek business opportunities in the market. In furthering its commitment to business partners there, on 21 April 2020, the capital of the branch office was further increased to TWD 20.0 million (S$0.9 million). The increase in capital is to qualify (undertaking higher dollar value projects including wider range of jobs) and as working capital to undertake jobs awarded.

By order of the Board
Cheng Woei Fen
Executive Chairlady
6 May 2020