



MUN SIONG ENGINEERING LIMITED

**FOURTH QUARTER AND FULL YEAR FINANCIAL STATEMENTS AND
DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017**



MUN SIONG ENGINEERING LIMITED

(Incorporated in the Republic of Singapore)
(Company registration number: 196900250M)

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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			Group		
	Qtr ended 31 Dec		Incr / (Decr)	YTD ended 31 Dec		Incr / (Decr)
	2017	2016		2017	2016	
	4TH QTR	4TH QTR	(Decr)	YEAR	YEAR	(Decr)
\$'000	\$'000	%	\$'000	\$'000	%	
Revenue	14,242	27,536	(48.3)	73,568	94,341	(22.0)
Cost of sales	(11,922)	(23,533)	(49.3)	(66,062)	(87,644)	(24.6)
Gross profit	2,320	4,003	(42.0)	7,506	6,697	12.1
Other income	204	338	(39.6)	1,128	1,761	(35.9)
Administrative expenses	(1,470)	(1,554)	(5.4)	(5,846)	(5,983)	(2.3)
Other operating (expenses)/income	(93)	2	NM	(116)	(7)	1,557.1
Results from operating activities	961	2,789	(65.5)	2,672	2,468	8.3
Finance costs	(5)	(20)	(75.0)	(19)	(49)	(61.2)
Profit before income tax	956	2,769	(65.5)	2,653	2,419	9.7
Income tax (expense)/credit	(258)	(367)	(29.7)	(486)	202	NM
Profit after income tax	698	2,402	(70.9)	2,167	2,621	(17.3)
Other comprehensive income:						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Foreign currency translation difference from foreign operation	-	5	(100.0)	(7)	3	NM
Total comprehensive income	698	2,407	(71.0)	2,160	2,624	(17.7)
Profit attributable to:						
Owners of the Company	698	2,402	(70.9)	2,167	2,621	(17.3)
Total comprehensive income attributable to:						
Owners of the Company	698	2,407	(71.0)	2,160	2,624	(17.7)

NM: Not meaningful

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

	Group		Group	
	Qtr ended 31 Dec		YTD ended 31 Dec	
	FY2017	FY2016	FY2017	FY2016
	4TH QTR	4TH QTR	YEAR	YEAR
	\$'000	\$'000	\$'000	\$'000
Depreciation of property, plant and equipment	917	985	3,749	3,659
Amortisation of intangible asset	38	38	149	149
Provision for foreseeable loss	2	-	2	-
Net gain on disposal of property, plant and equipment	(81)	(91)	(127)	(122)
Interest income	(31)	(63)	(127)	(255)
Interest on borrowings	1	4	2	33
Net change in fair value of investment properties	85	-	85	-
Net foreign exchange loss/(gain)	9	(2)	32	7
Over provision for prior year tax expense	-	(81)	-	(83)
Unwinding of discount on site restoration provision	4	4	17	16


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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 Dec 17 \$'000	31 Dec 16 \$'000	Change %	31 Dec 17 \$'000	31 Dec 16 \$'000	Change %
Non-current assets						
Property, plant and equipment	14,616	17,102	(14.5)	14,658	17,088	(14.2)
Intangible asset	742	891	(16.7)	743	891	(16.6)
Investment properties	1,225	1,310	(6.5)	1,225	1,310	(6.5)
Goodwill on consolidation	1,001	1,001	-	-	-	-
Subsidiaries	-	-	-	4,491	4,741	(5.3)
Total non-current assets	17,584	20,304	(13.4)	21,117	24,030	(12.1)
Current assets						
Inventories	603	259	132.8	603	259	132.8
Contract work-in-progress	1,138	12,407	(90.8)	956	11,603	(91.8)
Trade and other receivables	15,970	22,369	(28.6)	15,230	20,731	(26.5)
Cash and cash equivalents	35,648	18,211	95.7	22,030	5,725	284.8
Total current assets	53,359	53,246	0.2	38,819	38,318	1.3
Total assets	70,943	73,550	(3.5)	59,936	62,348	(3.9)
Equity attributable to equity holders of the Company						
Share capital	26,254	26,130	0.5	26,254	26,130	0.5
Treasury shares	(118)	-	NM	(118)	-	NM
Capital reserve	-	6	(100.0)	-	6	(100.0)
Translation reserve	2	9	(77.8)	-	-	-
Retained earnings	33,513	32,205	4.1	22,969	18,701	22.8
Total equity attributable to owners of the Company	59,651	58,350	2.2	49,105	44,837	9.5
Non-current liabilities						
Loans and borrowings	100	-	NM	100	-	NM
Provision for restoration costs	337	320	5.3	337	320	5.3
Deferred tax liabilities	1,435	1,286	11.6	1,435	1,281	12.0
Total non-current liabilities	1,872	1,606	16.6	1,872	1,601	16.9
Current liabilities						
Trade and other payables	8,198	13,289	(38.3)	8,079	15,644	(48.4)
Excess of progress billings over contract work-in-progress	868	266	226.3	861	266	223.7
Loans and borrowings	19	-	NM	19	-	NM
Current tax payable	335	39	759.0	-	-	-
Total current liabilities	9,420	13,594	(30.7)	8,959	15,910	(43.7)
Total liabilities	11,292	15,200	(25.7)	10,831	17,511	(38.1)
Total equity and liabilities	70,943	73,550	(3.5)	59,936	62,348	(3.9)

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 December 2017		31 December 2016	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
19	-	-	-

Amount repayable after one year

31 December 2017		31 December 2016	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
100	-	-	-

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

	2017	2016	2017	2016
	4TH QTR	4TH QTR	YEAR	YEAR
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Profit before income tax	956	2,769	2,653	2,419
Adjustments for:				
Depreciation of property, plant and equipment	917	985	3,749	3,659
Interest expense	1	4	2	33
Amortisation of intangible asset	38	38	149	149
Net change in fair value of investment properties	85	-	85	-
Interest income	(32)	(63)	(127)	(255)
Net gain on disposal of property, plant and equipment	(81)	(91)	(127)	(122)
Provision for foreseeable loss	2	-	2	-
Unwinding of discount on site restoration provision	4	4	17	16
Operating cash flow before working capital changes	1,890	3,646	6,403	5,899
Changes in inventories	(331)	(10)	(344)	(113)
Changes in contract work-in-progress and excess of progress billings over contract work-in-progress	2,191	2,444	11,869	(4,920)
Changes in trade and other receivables	4,418	3,259	6,399	(1,115)
Changes in trade and other payables	(3,049)	(8,528)	(5,091)	124
Cash generated from/(used in) operating activities	5,119	811	19,236	(125)
Tax credit received	-	120	-	129
Income tax paid	-	-	(41)	(354)
Net cash generated from/(used in) operating activities	5,119	931	19,195	(350)
Cash flows from investing activities				
Interest received	32	63	127	255
Proceeds from disposal of property, plant and equipment	81	91	127	130
Acquisition of property, plant and equipment	(138)	(793)	(1,132)	(3,980)
Net cash used in investing activities	(25)	(639)	(878)	(3,595)
Cash flows from financing activities				
Purchase of treasury shares	(118)	-	(118)	-
Proceeds from exercise of warrants	-	7	118	61
Repayment of loans and borrowings	(4)	(103)	(12)	(698)
Dividends paid in respect of previous year	-	-	(859)	(1,981)
Interest paid	(1)	(4)	(2)	(33)
Net cash used in financing activities	(123)	(100)	(873)	(2,651)
Net increase/(decrease) in cash and cash equivalents	4,971	192	17,444	(6,596)
Cash and cash equivalents at beginning of period/year	30,677	18,014	18,211	24,804
Effect of exchange rate fluctuations on cash held	-	5	(7)	3
Cash and cash equivalents at end of period/year	35,648	18,211	35,648	18,211



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1(d)(i) A statement (for the Company 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	Treasury shares	Capital reserve	Retained earnings	Translation reserve	Total equity
The Group						
At 1 January 2017	26,130	-	6	32,205	9	58,350
Total comprehensive income for the year						
Profit for the year	-	-	-	2,167	-	2,167
Other comprehensive income for the year:-	-	-	-	-	-	-
Foreign currency translation difference from foreign operation	-	-	-	-	(7)	(7)
Total comprehensive income for the year	-	-	-	2,167	(7)	2,160
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Purchase of treasury shares	-	(118)	-	-	-	(118)
Shares issued for exercise of warrants	124	-	(6)	-	-	118
Dividends	-	-	-	(859)	-	(859)
Total transactions with owners	124	(118)	(6)	(859)	-	(859)
At 31 December 2017	26,254	(118)	-	33,513	2	59,651
At 1 January 2016	26,066	-	9	31,565	6	57,646
Total comprehensive income for the year						
Profit for the year	-	-	-	2,621	-	2,621
Other comprehensive income for the year:-	-	-	-	-	-	-
Foreign currency translation difference from foreign operation	-	-	-	-	3	3
Total comprehensive income for the year	-	-	-	2,621	3	2,624
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Shares issued for exercise of warrants	64	-	(3)	-	-	61
Dividends	-	-	-	(1,981)	-	(1,981)
Total transactions with owners	64	-	(3)	(1,981)	-	(1,920)
At 31 December 2016	26,130	-	6	32,205	9	58,350

Amount in \$'000	Share capital	Treasury shares	Capital reserve	Retained earnings	Total
The Company					
At 1 January 2017	26,130	-	6	18,701	44,837
Total comprehensive income for the year					
Profit for the year	-	-	-	5,127	5,127
Total comprehensive income for the year	-	-	-	5,127	5,127
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Purchase of treasury shares	-	(118)	-	-	(118)
Shares issued for exercise of warrants	124	-	(6)	-	118
Dividends	-	-	-	(859)	(859)
Total transactions with owners	124	(118)	(6)	(859)	(859)
At 31 December 2017	26,254	(118)	-	22,969	49,105
At 1 January 2016	26,066	-	9	17,895	43,970
Total comprehensive income for the year					
Profit for the year	-	-	-	2,787	2,787
Total comprehensive income for the year	-	-	-	2,787	2,787
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Shares issued for exercise of warrants	64	-	(3)	-	61
Dividends	-	-	-	(1,981)	(1,981)
Total transactions with owners	64	-	(3)	(1,981)	(1,920)
At 31 December 2016	26,130	-	6	18,701	44,837

**MUN SIONG ENGINEERING LIMITED**

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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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the Company, 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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.

In total, 164,838,400 warrants were exercised. As the warrants expired on 8 September 2017, the balance of the unexercised 1,844,800 warrants lapsed and was cancelled. Please refer to paragraph 20(a) for details of the utilisation of warrant proceeds.

For the period from 1 October 2017 to 31 December 2017, the Company purchased 1,638,000 of its shares by way of market acquisition and held them as treasury shares. The treasury shares were purchased in accordance to the terms of the Share Purchase Mandate. As at the date of this announcement, no action is taken on the treasury shares.

	2017 4TH QTR	2016 4TH QTR
Issued and paid-up shares		
As at beginning of the period	581,546,400	569,099,200
Shares issued pursuant to exercise of warrants	Nil	693,900
As at end of the period	581,546,400	569,793,100
Treasury shares	1,638,000	NIL
Total number of issued shares excluding treasury shares as at the end of the period	579,908,400	569,793,100
Total outstanding warrants as at end of the period	Nil	13,598,100



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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 Dec 2017	As At 31 Dec 2016
Total number of shares	581,546,400	569,793,100
Less: Treasury shares	1,638,000	NIL
Total number of issued shares	579,908,400	569,793,100

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

Not applicable. There was no transaction taken on the treasury shares.

1(d)(v) A statement showing all sales, transfers, cancellations and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. There was no transaction taken on the subsidiary holdings.

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.

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial year compared with the audited financial statements as at 31 December 2016.

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 amended FRSs have become effective from 1 January 2017.

Amendments to FRSs:

- FRS 7 Statement of Cash Flows – Disclosure initiative
- FRS 12 Income Tax – Recognition of deferred tax assets for unrealised losses

The adoption of the above FRSs (including consequential amendments) does not have any significant impact on the financial statements.

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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		Group	
	4Q 2017	4Q 2016	YEAR 2017	YEAR 2016
EPS (based on consolidated net profit attributable to equity holders)				
- on weighted average number of ordinary shares in issue (cents)	0.12	0.42	0.38	0.46
- on fully diluted basis (cents)	0.12	0.41	0.38	0.45
Weighted average number of shares in issue during the period used in computing basic EPS	580,934,620	569,344,590	574,911,309	566,931,390
Weighted average number of shares in issue during the period used in computing diluted EPS	580,934,620	581,176,703	574,911,309	578,763,503

7. Net asset value (for the Company and Group) per ordinary share based on the total number of issued shares excluding treasury shares of the Company at the end of the:-***(a) current financial period reported on; and******(b) immediately preceding financial year***

	Group		Company	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Net asset value per ordinary share based on existing issued share capital as at the respective dates (cents)	10.29	10.24	8.47	7.87
Number of shares (issued and issuable) used in computing net asset value per ordinary share	579,908,400	569,793,100	579,908,400	569,793,100

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.***



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Notes to the statement of comprehensive income

(i) Revenue and profitability

The Group achieved a lower sales turnover in FY2017 as compared to FY2016 and consequently a lower net profit after taxation. The lower revenue is in line with subdued business activities (primarily due to low oil prices) in the process industry that the Group services.

Since FY2015, the Group's management has undertaken a stringent process of evaluating projects and further strengthening of its project management capabilities. Strong emphasis is placed on cost management and productivity improvements especially in work processes (reduction in the use of subcontractors and developing in-house capabilities) and investing in capital equipment to enhance the operating capabilities. This has resulted in the Group's ability to achieve better profit margins under the current difficult market conditions.

Revenue for FY2017 amounted to S\$73.6 million and this was 22.0% lower than the revenue recorded in FY2016 (S\$94.3 million). For the quarter ended 31 December 2017 ("4Q2017"), the revenue of S\$14.2 million was a decrease of 48.3% from that achieved in corresponding quarter last year ("4Q2016") (S\$27.5 million).

Cost of sales for FY2017 was S\$66.1 million as compared to S\$87.6 million in FY2016. The significant decline in cost of goods sold was due to decline in revenue and substantial reduction in subcontracting cost, S\$13.2 million in FY2017 as compared to S\$30.8 million in FY2016. The latter has resulted in gross profit margin increasing to 10.2% in FY2017 from 7.1% in FY2016.

The Group's profit after tax was S\$2.2 million in FY2017 as compared to S\$2.6 million in FY2016. Net profit margin improved from 2.8% in FY2016 to 2.9% in FY2017. This was despite a S\$20.8 million or 22.0% decline in revenue.

(ii) Other income

Other income in FY2017 amounted to S\$1.1 million, a decrease of S\$633,000 from FY2016 (S\$1.8 million). This was due mainly to the decrease in amount received for the Wage Credit Scheme from the Ministry of Manpower (S\$206,000 in FY2017 as compared to S\$351,000 in FY2016), government grant received from SPRING Singapore (S\$2,000 in FY2017 as compared to S\$351,000 in FY2016) and interest income (S\$127,000 in FY2017 as compared to S\$255,000 in FY2016).

(iii) Administrative expenses

Administrative expenses of S\$5.9 million for FY2017 were lower than that of FY2016 (S\$6.0 million). The decrease in administrative expenses in FY2017 was due mainly to the lower staff related and facilities expenses as a result of the lower sales turnover.

(iv) Other operating expenses

Other operating expenses in FY2017 amounted to S\$116,000, an increase of S\$109,000 from that of FY2016 (S\$7,000). The main increase in FY2017 was the impairment loss on revaluation of investment property (S\$85,000) and a higher loss on foreign exchange (S\$25,000).

(v) Finance expenses

A lower finance cost was incurred in FY2017 as hire purchase agreements prior to FY2017 expired in FY2016. The hire purchase financing for 2017 was for 2 new motor vehicles purchased in the second half of FY2017.



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(vi) Income tax expense

The Group incurred a tax expense of S\$485,000 in FY2017 as compared to a tax credit S\$202,000 in FY2016. The tax expense in FY2017 relates mainly to the current year tax liability (S\$385,000) as the tax credit/incentives granted under the Productivity and Innovative Credit (PIC) were fully utilised in previous financial years and were no longer available in FY2017.

Notes to statements of financial position

Group and Company

(i) Property, plant and equipment

The decrease in FY2017 was due mainly to depreciation expense of S\$3.7 million. This was partially offset by investments in new plant and equipment amounting to S\$1.3 million.

(ii) Intangible asset

The decrease in FY2017 was due to the amortisation of the exclusive licencing rights for the provision of specialised coating services and methodology in Singapore and Malaysia.

(iii) Investment properties

The decrease in FY2017 was due to the net diminution of S\$85,000 made on valuation of the properties to market value as at 31 December 2017.

(iv) Investment in subsidiaries

Investment in subsidiaries decreased by S\$250,000 in FY2017. This was due to the impairment amount of S\$250,000 made for a wholly owned subsidiary, Wing Wah Industries Pte Ltd, which is in the processing of voluntary winding up and its operations being merged with the Company. This impairment was made to align the cost of investment to the recoverable amount of assets in this subsidiary at the time of winding up application in FY2017.

(v) Inventories and contract work-in-progress

The increase in inventories was due mainly to the acquisition of inventories required for the operations. The decrease in contract work-in-progress was due mainly to the recognition of projects completed in FY2017 and lesser ongoing projects as at 31 December 2017.

(vi) Trade and other receivables

Trade and other receivables decreased in tandem with the lower revenue recorded during the year.

(vi) Provision for restoration costs

The provision relates to the leasehold premises from JTC. The lease will expire in FY2020. The Company is in the process of discussions for the extension of the lease.

(vii) Loans and borrowings

The outstanding loan amount was for the hire purchase financing arrangements for motor vehicles purchased in the second half of FY2017. The outstanding loan prior to FY2017 was fully re-paid in FY2016.



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(viii) Deferred tax liabilities and tax payable

Deferred tax liabilities arise from the recognition of the temporary timing differences resulting from provisions and claim on capital allowances for qualifying assets. The increase in deferred tax liabilities was due to higher temporary timing differences from claims on tax capital allowances.

Tax payable increase was due mainly to the tax liability in respect of the current financial year.

(ix) Trade and other payables

The decrease was due mainly to lower revenue and volume of operating expenses at end of the year.

(x) Equity

Group's shareholders' fund increased from S\$58.4 million as at 31 December 2016 to S\$59.7 million as at 31 December 2017.

The increase of S\$1.3 million in Group's shareholders' fund is attributed to current year profit (S\$2.2 million) and increased in paid-up share capital through exercise of warrants (net increase of S\$118,000). This was partially offset by the purchase of treasury shares (S\$118,000) and dividend payment made in FY2017 in respect of FY2016 (S\$859,000).

At the end of FY2017, no share warrant was outstanding and there were 1,638,000 treasury shares amounting to S\$118,000 held by the Company.

Notes to cash flow statement

The Group working capital (current assets less current liabilities) for FY2017 was S\$43.9 million as compared to S\$39.7 million for FY2016.

The Group recorded an operating cash inflow of S\$19.2 million for FY2017 as compared to an operating cash outflow of S\$350,000 for FY2016. The increase is mainly attributed to the operating profit and decrease in contract work-in-progress and receivables.

This increase in operating cash flow was partially offset by the purchases of property, plant and equipment amounting to S\$1.3 million, payment of dividend of S\$859,000 and purchase of treasury shares of S\$118,000.

Additional funds were also raised from the issuance of shares as a result of the warrants exercised by shareholders (net proceeds of S\$118,000) and hire purchase loan for the purchase of motor vehicles (net amount of S\$119,000).

In summary, the Group's cash balance as at 31 December 2017 was S\$35.6 million as compared to a balance of S\$18.2 million as at 31 December 2016. The major increase was a result of the increase in operating cash flow as explained above.

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.



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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.

During FY2017, the prices of crude oil (WTI) traded within a tighter price range and trended upwards to close above US\$60 per barrel for 2017. The gradual raising of interest rates by the North American Federal Reserve has also made businesses to adopt a more cautious stance towards capital expenditure – in anticipation of higher funding cost and negative impact of higher interest rates on the economy.

Despite the improvement in crude oil prices (WTI), as compared to prices during FY2016, and positive developments in the capital markets, the outlook for FY2018 by the Group remains cautiously optimistic.

The Group expects capital commitments by our major business partners to be slow and the dollar value to be small – due to higher funding cost and cautious outlooks on major global economies. This may result in further decline in the Group’s revenue for FY2018.

Profit margins will continue to be under pressure due to further push by our business partners towards higher service standards, like safety, and wider scope of work at current or reduced prices. The Group’s ability to maintain both profitability and relationship with our business partners will be continuously tested in FY2018.

The Group is currently undertaking efforts to make inroads into overseas markets. This process has been slow as the Group has been cautious on the selection of its partners. During FY2017, the Group has formed a joint venture company with a group in Myanmar to seek business opportunities. The expansion into overseas markets may also include the acquisition of established businesses that have a diversified portfolio of customers.

11. Dividend

(a) Whether an interim (final) ordinary dividend has been declared (recommended)

Yes.

Proposed final dividend but not recognised as a liability in the current financial period is as follow:

FY2017	
Name of dividend	Final
Dividend type	Cash
Amount	0.18 cent per ordinary share
Tax rate	Tax exempt (one-tier)

(b) (i) Amount per share
Please refer to item 11(a).

(ii) Previous corresponding period

Proposed final dividend but not recognised as a liability in the previous financial year is as follow:



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FY2016

Name of dividend	Final
Dividend type	Cash
Amount	0.15 cent per ordinary share
Tax rate	Tax exempt (one-tier)

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (if the dividend is not taxable in the hands of shareholders, this must be stated).

Tax rate of 17%: Tax exempt (one-tier).

(d) The date dividend is payable.

To be announced later. The proposed dividend is subject to the approval of shareholders at the forthcoming Annual General Meeting.

(e) The date on which Registrable Transfers received by the Company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.

To be announced later. The proposed dividend is subject to the approval of shareholders at the forthcoming Annual General Meeting.

12. If no dividend has been declared (recommended), a statement to that effect.

Not applicable.

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.

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14. Segmented revenue and results for business or geographical segments (of the Group) in the form presented in the Company's most recently audited annual financial statements, with comparative information for the immediate preceding year.

FY2017

(Amount in \$'000)	Mechanical	Electrical,	Total
	engineering	instrumentation and others	
External revenue	61,771	11,797	73,568
Inter-segment revenue	222	1,101	1,323
Total revenue	61,993	12,898	74,891
Interest income	16	111	127
Interest expense	2	-	2
Amortisation of intangible asset	149	-	149
Depreciation of property, plant and equipment	3,439	310	3,749
Reportable segment (loss)/profit before income tax	(349)	2,757	2,408
Other material non-cash item:			
Net change in fair value of investment properties	-	(85)	(85)
Reportable segment assets	52,957	16,762	69,719
Capital expenditure	1,257	6	1,263
Reportable segment liabilities	8,607	915	9,522

FY2016

(Amount in \$'000)	Mechanical	Electrical,	Total
	engineering	instrumentation and others	
External revenue	84,180	10,161	94,341
Inter-segment revenue	45	2,593	2,638
Total revenue	84,225	12,754	96,979
Interest income	55	200	255
Interest expense	33	-	33
Amortisation of intangible asset	149	-	149
Depreciation of property, plant and equipment	3,277	382	3,659
Reportable segment profit before income tax	26	2,502	2,528
Reportable segment assets	53,943	18,297	72,240
Capital expenditure	3,880	100	3,980
Reportable segment liabilities	12,717	1,158	13,875

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Reconciliation of reportable segment revenue, profit or loss, assets and liabilities and other material items

(Amount in \$'000)	FY2017	FY2016
Revenue		
Total revenues for reportable segments	74,891	96,979
Elimination of inter-segment revenue	(1,323)	(2,638)
Consolidated revenue	<u>73,568</u>	<u>94,341</u>
Profit or loss		
Total profit or loss for reportable segments	2,408	2,528
Elimination of Intersegment profit/(loss)	199	(180)
Unallocated segment profit	46	71
Consolidated profit before income tax	<u>2,653</u>	<u>2,419</u>
Assets		
Total assets for reportable segments	69,719	72,240
Investment properties	1,225	1,310
Consolidated total assets	<u>70,944</u>	<u>73,550</u>
Liabilities		
Total liabilities for reportable segments	9,522	13,875
Current tax payable	335	39
Deferred tax liabilities	1,435	1,286
Consolidated total liabilities	<u>11,292</u>	<u>15,200</u>

15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Revenue from the mechanical engineering segment decreased in FY2017 due to the lower volume of projects undertaken in in FY2017. This segment incurred a gross loss due to higher direct cost and the competitive environment.

Revenue from the electrical, instrumentation and others segment increased in FY2017. Gross profit in this segment was higher as compared to FY2016 due mainly to cost control measures and additional billings for work done.

Please refer to paragraph 8 above for more detailed explanation of the performanc review.

16. A breakdown of sales as follows:

	FY2017 \$'000	FY2016 \$'000	Change (%)
Sales for first half year	42,995	39,759	8.1
Operating profit after tax due to owners of Company for first half year	644	630	2.2
Sales for second half year	30,573	54,582	(44.0)
Operating profit after tax due to owners of Company for second half year	1,523	1,991	(23.5)

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17. A breakdown of the total annual dividend (in dollar value) for the Company's latest full year and its previous full year.

	FY2017 \$'000	FY2016 \$'000
Cash dividends paid during the financial year		
2016 final one-tier tax exempt dividend of 0.15 cents per share paid (FY2015: 0.15 cents per share)	859	849
2016 interim one-tier tax exempt dividend of 0.20 cents per share	-	1,132
Total	859	1,981
Cash dividends proposed but not recognised as a liability as at the end of the financial year		
2017 proposed final one-tier tax exempt dividend of 0.18 cents per share (FY2016: 0.15 cents)	1,044	859
	<i>(Refer to Note)</i>	

Note: Proposed cash dividend for FY2017 as computed for this announcement is based on the total number of issued ordinary shares less treasury shares at the date of this announcement. The proposed cash dividend is subject to approval by shareholders during the forthcoming AGM in April 2018. On approval, the actual amount will be determined after the Books Closure Date (BCD).

18. Confirmation that the Company has procured undertakings from all its Directors and Executive Officers under 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.

19. Disclosure of persons occupying managerial positions in the Company or any of its principal subsidiaries who is a relative of a director, CEO or substantial shareholder of the Company pursuant to Rule 704(13).

Pursuant to Rule 704 (13) of the Listing Manual, the following is a list of persons occupying managerial positions in the Company or the Company's principal subsidiaries who are relatives of a director, chief executive officer and/or substantial shareholder of the Company:-

Name	Age	Family relationship with any director, CEO and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Cheng Woei Fen	60	Mother of Quek Kian Teck (substantial shareholder) and Quek Kian Hui (Executive Director)	Executive Chairlady cum CEO Responsible for overall management, formulation of business plans, strategic positioning, and business expansion of	N.A.

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			Mun Siong Engineering Group (the "Group").	
			Year when position was first held: 2000	
Quek Kian Hui	33	Son of Cheng Woei Fen (Executive Chairlady cum CEO)	Executive Director	N.A.
			Assist the Chairlady cum CEO in management of the operations of Mun Siong Engineering Limited.	
			Year when position was first held: 2014	

20. Use of Proceeds from IPO and Warrant Issue

a) Warrant Issue

In September 2014, the Company raised gross proceeds of approximately S\$250,000 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 was approximately S\$77,000.

The net proceeds of S\$77,000 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.

In total, 164,838,400 warrants had been exercised since the issue of the warrants and a total proceeds of approximately S\$1.65 million was raised. As the warrants expired on 8 September 2017, the balance of the unexercised 1,844,800 warrants lapsed and was cancelled. The total proceeds of S\$1.65 million raised had been fully utilised as follow:

	Amount (S\$'000)
Proceeds from warrants conversion	1,648
Purchase of vehicles	(407)
Purchase of equipment	(618)
Purchase of materials and services for operations	(623)
Balance	-

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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 in S\$'000)	Amount raised	Change of Use	Utilisation					Total Utilised	Balance
			up to 2016	1st Qtr 2017	2nd Qtr 2017	3rd Qtr 2017	4th Qtr 2017		
To establish a regional presence	4,000	-	(1,809)	(4)	(4)	(21)	(37)	(1,875)	2,125
To establish an engineering design centre and upgrade of existing database management system	1,000	-	(674)	-	-	-	-	(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	-	(16,383)	(4)	(4)	(21)	(37)	(16,449)	2,451

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

BY ORDER OF THE BOARD

CHENG WOEI FEN
Executive Chairlady

13th FEBRUARY 2018