



**MUN SIONG ENGINEERING LIMITED**

FIRST QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE  
PERIOD ENDED 31 MARCH 2014



**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 2014**

**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.**

	<b>Group</b>		
	Qtr ended 31 Mar		Change
	2014	2013	
	1Q	1Q	
\$'000	\$'000	%	
Revenue	21,770	19,558	11.3
Cost of sales	(19,457)	(18,348)	6.0
Gross profit	2,313	1,210	91.2
Other income	415	208	99.5
Administrative expenses	(1,589)	(1,657)	(4.1)
Other operating (expenses) / income	1	1	-
<b>Results from operating activities</b>	<b>1,140</b>	<b>(238)</b>	<b>NM</b>
Finance costs	(10)	(10)	-
Share of results (net of tax) of jointly controlled entity	-	(1)	NM
<b>Profit before income tax</b>	<b>1,130</b>	<b>(249)</b>	<b>NM</b>
Income tax (expense) / credit	(201)	73	NM
<b>Profit after income tax</b>	<b>929</b>	<b>(176)</b>	<b>NM</b>
<b>Other comprehensive income:</b>			
Foreign currency translation difference from foreign operation	(10)	-	NM
Closure of subsidiary - striking off	3	-	NM
<b>Total comprehensive income</b>	<b>922</b>	<b>(176)</b>	<b>NM</b>
<b>Profit attributable to:</b>			
Owners of the Company	929	(169)	NM
Non-controlling interest	-	(7)	NM
	<b>929</b>	<b>(176)</b>	
<b>Total comprehensive income attributable to:</b>			
Owners of the Company	922	(176)	NM
Non-controlling interest	-	-	NM
	<b>922</b>	<b>(176)</b>	

*NM: Not meaningful*

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

	<b>Group</b>	
	Qtr ended 31 March	
	2014	2013
	Q1	Q1
	\$'000	\$'000
Depreciation of property, plant and equipment	870	834
Amortisation expenses	37	37
Loss/(Profit) on disposal of property, plant and equipment	(6)	(1)
Interest income	(18)	(38)
Interest on borrowings	10	10
Property, plant and equipment written off	1	-
Loss on closure/striking off a subsidiary	3	-
Net foreign exchange loss/(gain)	(5)	(1)



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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'14 \$'000	31 Dec'13 \$'000	Change %	31 Mar'14 \$'000	31 Dec'13 \$'000	Change %
<b>Non-current assets</b>						
Property, plant and equipment	17,781	18,414	(3.4)	16,773	17,375	(3.5)
Intangible asset	1,300	1,338	NM	1,300	1,338	NM
Goodwill on consolidation	1,636	1,636	-	-	-	NM
Investment properties	1,620	1,620	-	1,310	1,310	-
Subsidiaries	-	-	NM	4,036	4,046	(0.2)
Jointly controlled entity	-	16	NM	-	16	NM
Deferred tax asset	228	228	-	-	-	NM
<b>Total non-current assets</b>	<b>22,565</b>	<b>23,252</b>		<b>23,419</b>	<b>24,085</b>	
<b>Current assets</b>						
Inventories	7,799	6,148	26.9	4,392	2,019	117.5
Trade and other receivables	16,651	21,046	(20.9)	16,973	21,586	(21.4)
Cash and cash equivalents	18,340	17,222	6.5	9,229	8,592	7.4
<b>Total current assets</b>	<b>42,790</b>	<b>44,416</b>		<b>30,594</b>	<b>32,197</b>	
<b>Total assets</b>	<b>65,355</b>	<b>67,668</b>		<b>54,013</b>	<b>56,282</b>	
<b>Equity attributable to equity holders of the Company</b>						
Share capital	24,528	24,528	-	24,528	24,528	-
Translation reserves	(20)	(10)	100.0	-	-	NM
Accumulated profits	26,834	25,902	3.6	17,642	16,797	5.0
<b>Total equity attributable to owners of the Company</b>	<b>51,342</b>	<b>50,420</b>		<b>42,170</b>	<b>41,325</b>	
<b>Total equity</b>	<b>51,342</b>	<b>50,420</b>		<b>42,170</b>	<b>41,325</b>	
<b>Non-current liabilities</b>						
Loans and borrowings	1,359	1,491	(8.9)	1,359	1,491	(8.9)
Deferred tax liabilities	1,460	1,458	0.1	1,411	1,411	-
<b>Total non-current liabilities</b>	<b>2,819</b>	<b>2,949</b>		<b>2,770</b>	<b>2,902</b>	
<b>Current liabilities</b>						
Trade and other payables	9,954	13,178	(24.5)	8,185	11,261	(27.3)
Loans and borrowings	728	794	(8.3)	728	794	(8.3)
Current tax payable	512	327	56.6	160	-	NM
<b>Total current liabilities</b>	<b>11,194</b>	<b>14,299</b>		<b>9,073</b>	<b>12,055</b>	
<b>Total liabilities</b>	<b>14,013</b>	<b>17,248</b>		<b>11,843</b>	<b>14,957</b>	
<b>Total equity and liabilities</b>	<b>65,355</b>	<b>67,668</b>		<b>54,013</b>	<b>56,282</b>	

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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***

<b>31 March 2014</b>		<b>31 December 2013</b>	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
728	-	794	-

***Amount repayable after one year***

<b>31 March 2014</b>		<b>31 December 2013</b>	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
1,359	-	1,491	-

**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**

	1Q 2014	1Q 2013
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Profit before income tax	1,130	(249)
Adjustments for:		
Depreciation of property, plant and equipment	870	834
Interest expense	10	10
Amortisation of Intangible assets	37	37
Property, plant and equipment written off	1	-
Interest income	(18)	(38)
Net loss/(gain) on disposal of property, plant and equipment	(6)	(1)
Share of (gain)/loss in jointly controlled entity	-	1
Loss on Disposal of a subsidiary	3	-
Operating cash flow before working capital changes	2,027	594
Change in inventories	(1,696)	4,171
Change in trade and other receivables	4,395	(3,273)
Change in trade and other payables	(3,223)	(82)
Cash generated from operating activities	1,503	1,410
Tax credit received	-	106
Income tax paid	(13)	(29)
<b>Net cash generated from/(used in) operating activities</b>	<b>1,490</b>	<b>1,487</b>
<b>Cash flows from investing activities</b>		
Interest received	18	38
Proceeds from disposal of property, plant and equipment	6	1
Acquisition of property, plant and equipment	(193)	(5)
Acquisition of intangible asset	-	(1,494)
Investment in jointly controlled entity	16	-
Acquisition of additional shares in a subsidiary	-	(436)
<b>Net cash used in investing activities</b>	<b>(153)</b>	<b>(1,896)</b>
<b>Cash flows from financing activities</b>		
Payment of finance lease liabilities	(132)	(199)
Repayments of borrowings	(67)	(52)
Interest paid	(10)	(10)
<b>Net cash used in financing activities</b>	<b>(209)</b>	<b>(261)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>1,128</b>	<b>(670)</b>
Cash and cash equivalents at beginning of period	17,222	12,442
Effect of exchange rate fluctuations on cash held	(10)	-
<b>Cash and cash equivalents at end of period</b>	<b>18,340</b>	<b>11,772</b>





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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.**

	Share capital \$'000	Accumulated profits \$'000	Translation reserves \$'000	Total \$'000	Non-controlling interest \$'000	Total equity \$'000
<b>The Group</b>						
At 1 January 2014	24,528	25,902	(10)	50,420	-	50,420
<b>Total comprehensive income for the period</b>						
Profit for the year	-	929		929	-	929
Other comprehensive income for the period:-						
Discontinued operations - MSEI		3		3		3
Foreign currency translation difference from foreign operation	-		(10)	(10)	-	(10)
Total comprehensive income for the period	-	932	(10)	922	-	922
<b>At 31 March 2014</b>	<b>24,528</b>	<b>26,834</b>	<b>(20)</b>	<b>51,342</b>	<b>-</b>	<b>51,342</b>
At 1 January 2013	24,528	23,437	-	47,965	500	48,465
<b>Total comprehensive income for the period</b>						
Profit for the period	-	(169)	-	(169)	(7)	(176)
Total comprehensive income for the period	-	(169)	-	(169)	(7)	(176)
<b>Transactions with owners, recorded directly in equity</b>						
Additional investment in subsidiary	-	-	-	-	(425)	(425)
<b>At 31 March 2013</b>	<b>24,528</b>	<b>23,268</b>	<b>-</b>	<b>47,796</b>	<b>68</b>	<b>47,864</b>
<b>The Company</b>						
At 1 January 2014				24,528	16,797	41,325
<b>Total comprehensive income for the period</b>						
Profit/total comprehensive income for the period				-	845	845
<b>At 31 March 2014</b>				<b>24,528</b>	<b>17,642</b>	<b>42,170</b>
At 1 January 2013				24,528	12,878	37,406
<b>Total comprehensive income for the period</b>						
Profit/total comprehensive income for the period				-	(558)	(558)
<b>At 31 March 2013</b>				<b>24,528</b>	<b>12,320</b>	<b>36,848</b>



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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.**

Not applicable. There were no changes in the Company's share capital since the end of the previous financial period.

**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 2014	As at 31 Dec 2013
	'000	'000
Total number of shares	416,708	416,708
Less: Treasury shares	Nil	Nil
Total number of issued shares excluding treasury shares	416,708	416,708

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

Not applicable.

**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 2013 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 Group has adopted the new and revised Financial Reporting Standards (FRS) and interpretations of FRS (INT FRS) that are relevant to its operations and effective for annual periods beginning on or after 1 January 2014. The adoption of the new and revised FRS and INT FRS is assessed and it has no material impact on the results of the Group and of the Company for the financial period ended 31 March 2014.

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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 2014	1Q 2013
EPS (based on consolidated net profit attributable to equity holders)		
- on weighted average number of ordinary shares in issue (cents)	0.22	(0.05)
- on fully diluted basis (cents)	0.22	(0.05)
Weighted average number of shares in issue during the period used in computing EPS	416,708,000	416,708,000

There were no potential dilutive ordinary shares for the current and previous periods.

**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 2014	31 Dec 2013	31 Mar 2014	31 Dec 2013
Net asset value per ordinary share based on existing issued share capital as at the respective dates (cents)	12.32	12.10	10.12	9.92
Number of shares (issued and issuable) used in computing net asset value per ordinary share	416,708,000	416,708,000	416,708,000	416,708,000



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**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, cost of sales and gross profit

Revenue for the current quarter ("1Q2014") was \$21.8 million, a significant improvement of 11.3% as compared to \$19.6 million in the corresponding quarter in prior year ("1Q2013"). The significant increase in revenue was due to higher volume of work and successful completion of project works that started since last quarter of 2013.

Cost of sales (mainly in consumable materials) increased in tandem with the increase in revenue.

In tandem with improvements in revenue, gross profit margin improved to 10.6% in 1Q2014 from 6.2% in 1Q2013. The significant improvement in profit margin and increase in revenue has resulted in the Group achieving a profit before taxation of \$1.1 million as opposed to a loss of \$0.2 million in 1Q2013. In light of the tight labour market conditions in Singapore, the Group has been selective when bidding for new contracts. This has resulted in the improvements in profit margins. In addition, stringent cost management and further investments in capital equipment has helped to improve profit margins.

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 2013.

(ii) Administrative expenses

Administrative expenses for 1Q2014 decreased slightly by approximately S\$68,000 mainly due to lower salaries-related costs on administrative headcount and lower depreciation expense.

(iii) Other expenses

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

(iv) Finance expenses

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

(v) Income tax expense

Income tax expense increased in line with the profit recorded. The tax credit in 1Q2013 was due to a loss before tax in the quarter.

(vi) Other comprehensive income

Other comprehensive expense comprised the effect of the foreign currency translation on the financials of the Malaysian subsidiary and the net effect of accumulated loss written off following the striking off of the dormant subsidiary, MSE Investment Pte Ltd.



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***Notes to statements of financial position***

***Group and Company***

(i) 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.

(ii) Inventories

The increase in inventories was mainly due to higher volume of contract work in progress from projects where revenue was recognised according to percentage of completion.

(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.

(viii) Trade and other payables

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

***Notes to cash flow statement***

The Group generated a net operating cash inflow of approximately S\$1.5 million in 1Q2014. This was mainly due to profit achieved and the realisation of receivables.

In 1Q2014, the Group invested approximately S\$0.2 million to acquire additional equipments to further enhance its operations. The Group also repaid approximately S\$0.2 million of its loan outstanding.

Cash and cash equivalent was \$18.3 million, an increase of \$1.1 million during the quarter.

**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.**

Key economic indicators continue to point to a slowing down of the PRC economy. The economic indicators to the North American economy continue to show mix signals. Furthermore, the fear of an interest rate hike continues to be a matter of concern to business sentiments in North America.



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Negative sentiments in both the PRC and North American economies may result in our clients deferring some or all of its capital expenditure plans. This will have a negative impact on our financial performance.

The tight labour market condition in Singapore continues to weigh negatively on our operating cost. This has resulted in the Group in being selective in undertaking new contracts and implementing stringent labour and cost management policies.

In spite of the above, management of the Group continues to be cautiously optimistic in its outlook.

As at the date of this announcement, the Group's outstanding order book stands at S\$19.2 million. This is in addition to the eight maintenance contracts that were secured since FY2009.

**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 2014 is recommended.

***(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 2014 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.

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**14. Use of IPO Proceeds**

The proceeds raised from the Company's IPO, after deducting listing expenses of approximately S\$2.5 million was approximately S\$18.5 million. As at the date of this announcement, 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 2013	1st Qtr		
			S\$'000	S\$'000		
To establish a regional presence	4,000	-	(1,776)	(2)	(1,778)	2,222
To establish an engineering design centre and upgrade of existing database management system	1,000	-	(541)	-	(541)	459
Widening the range of services available to our customers	12,500	(7,709)	(4,791)		(4,791)	-
Working Capital	1,400	7,709	(5,332)	(651)	(5,983)	3,126
<b>Total</b>	<b>18,900</b>	<b>-</b>	<b>(12,440)</b>	<b>(653)</b>	<b>(13,093)</b>	<b>5,807</b>

Utilisation under Working Capital:

For the current quarter, an amount of \$28K was utilised to acquire scaffolding material, \$165K was utilised to fund the additional machinery and equipment and \$458K was utilised to purchase materials for operations and projects.

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 2014 to be false or misleading in any material respect.

**BY ORDER OF THE BOARD**

**CHENG WOEI FEN**  
EXECUTIVE CHAIRMAN

**QUEK CHIAU LIONG**  
MANAGING DIRECTOR

6<sup>th</sup> MAY 2014