MUN SIONG ENGINEERING LIMITED

FOURTH QUARTER AND FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

Contents

MUN SIONG ENGINEERING LIMITED
(Incorporated in the Republic of Singapore)
(Company registration number: 196900250M)

FOURTH QUARTER AND FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

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			YTD ended 31 Dec		
	4Q 2018	4Q 2017	Incr / (Decr)	2018	2017	Incr / (Decr)
	$'000	$'000	%	$'000	$'000	%
Revenue	12,887	14,242	(9.5)	62,878	73,568	(14.5)
Cost of sales	(11,890)	(11,922)	(0.3)	(59,392)	(66,062)	(10.1)
Gross profit	997	2,320	(57.0)	3,486	7,506	(53.6)
Other income	144	172	(16.3)	859	1,001	(14.2)
Administrative expenses	(2,964)	(1,470)	101.6	(7,473)	(5,846)	27.8
Other operating expenses	(1,063)	(93)	1,043.0	(813)	(116)	600.9
Results from operating activities	(2,886)	929	(410.7)	(3,941)	2,545	(254.9)
Finance income	88	32	175.0	424	127	(233.9)
Finance expenses	(5)	(5)	-	(21)	(19)	10.5
(Loss) / Profit before income tax	(2,803)	956	(393.2)	(3,538)	2,653	(233.4)
Income tax credit /(expense)	(77)	(258)	70.2	(229)	(486)	(52.9)
(Loss) / Profit after income tax	**(2,880)**	**698**	(512.6)	**(3,767)**	**2,167**	(273.8)
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
Foreign currency translation difference from foreign operations	1	-	NM	(4)	(7)	42.9
Total comprehensive income	**(2,879)**	**698**	(512.5)	**(3,771)**	**2,160**	(274.6)
(Loss) / Profit attributable to:						
Owners of the Company	**(2,880)**	**698**	(512.6)	**(3,766)**	**2,167**	(273.8)
Non-controlling interest	-	-	-	**(1)**	-	NM
	(2,880)	**698**	(512.6)	**(3,767)**	**2,167**	(273.8)
Total comprehensive income attributable to:						
Owners of the Company	**(2,878)**	**698**	(512.3)	**(3,770)**	**2,160**	(274.5)
Non-controlling interest	**(1)**	-	NM	**(1)**	-	NM
	(2,879)	**698**	(512.5)	**(3,771)**	**2,160**	(274.6)

NM: Not meaningful

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		
	4Q 2018	4Q 2017	Incr / (Decr)	2018	2017	Incr / (Decr)
	$'000	$'000	%	$'000	$'000	%
Depreciation of property, plant and equipment	367	917	(60.0)	2,904	3,749	(22.5)
Amortisation of intangible asset	38	38	-	149	149	-
Impairment of intangible asset	594	-	NM	594	-	NM
Provision for doubtful debts	52	-	NM	52	-	NM
Provision for foreseeable loss	-	2	(100.0)	-	2	(100.0)
Net (gain) / loss on disposal of property, plant and equipment	(55)	(81)	32.1	(57)	(127)	55.1
Net foreign exchange loss /(gain)	15	9	66.7	(232)	32	(825.0)
Impairment loss on goodwill on consolidation	1,001	-	NM	1,001	-	NM
Loss on liquidation of a subsidiary	75	-	NM	75	-	NM
Net change in fair value of investment properties	-	85	(100.0)	-	85	(100.0)
Finance (income)/expenses:						
Interest income	(89)	(31)	(187.1)	(424)	(127)	(233.9)
Interest on borrowings	1	1	-	3	2	50.0
Unwinding of discount on site restoration provision	4	4	-	18	17	5.9

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		Change	Company		Change
	31 Dec'18	31 Dec'17		31 Dec'18	31 Dec'17	
		(Restated)			(Restated)	
	$'000	$'000	%	$'000	$'000	%
Non-current assets						
Property, plant and equipment	13,347	14,616	(8.7)	13,367	14,658	(8.8)
Intangible asset	-	742	(100.0)	-	742	(100.0)
Investment properties	1,225	1,225	-	1,225	1,225	-
Goodwill on consolidation	-	1,001	(100.0)	-	-	-
Subsidiaries	-	-	-	2,580	4,492	(42.6)
Total non-current assets	**14,572**	**17,584**	(17.1)	**17,172**	**21,117**	(18.7)
Current assets						
Inventories	351	603	(41.8)	351	603	(41.8)
Contract assets	10,059	5,672	77.3	9,277	5,181	79.1
Trade and other receivables	15,681	11,436	37.1	15,622	11,005	42.0
Cash and cash equivalents	26,549	35,648	(25.5)	20,777	22,030	(5.7)
Total current assets	52,640	53,359	(1.3)	46,027	38,819	18.6
Total assets	**67,212**	**70,943**	(5.3)	**63,199**	**59,936**	5.4
Equity attributable to equity holders of the Company						
Share capital	26,254	26,254	-	26,254	26,254	-
Treasury shares	(193)	(118)	63.6	(193)	(118)	63.6
Translation reserve	(2)	2	205.6	-	-	-
Retained earnings	28,704	33,513	(14.3)	24,344	22,969	6.0
Total equity attributable to owners of the Company	**54,763**	**59,651**	(8.2)	**50,405**	**49,105**	2.6
Non-controlling interest	5	-	NM	-	-	-
Total equity	**54,768**	**59,651**	(8.2)	**50,405**	**49,105**	2.6
Non-current liabilities						
Loans and borrowings	81	100	(19.0)	81	100	(19.0)
Provision for restoration costs	355	337	5.3	355	337	5.3
Deferred tax liabilities	1,484	1,435	3.4	1,484	1,435	3.4
Total non-current liabilities	1,920	1,872	2.6	1,920	1,872	2.6
Current liabilities						
Trade and other payables	10,247	8,198	25.0	10,773	8,079	33.3
Contract liabilities	82	868	(90.6)	82	861	(90.5)
Loans and borrowings	19	19	-	19	19	-
Current tax payable	176	335	(47.5)	-	-	-
Total current liabilities	10,524	9,420	11.7	10,874	8,959	21.4
Total liabilities	**12,444**	**11,292**	10.2	**12,794**	**10,831**	18.1
Total equity and liabilities	**67,212**	**70,943**	(5.3)	**63,199**	**59,936**	5.4

NM: Not meaningful

1(b)(ii) Aggregate amount of Group's borrowings and debt securities

Amount repayable in one year or less, or on demand

Amount repayable in one year or less, or on demand

31 Dec 2018		31 December 2017	
Secured	Unsecured	Secured	Unsecured
$'000	$'000	$'000	$'000
19	-	19	-

Amount repayable after one year

31 Dec 2018		31 December 2017	
Secured	Unsecured	Secured	Unsecured
$'000	$'000	$'000	$'000
81	-	100	-

Details of any collateral

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

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

	Group		Group	
	4Q 2018	4Q 2017	FY 2018	FY 2017
		(Restated)		(Restated)
Cash flows from operating activities	$'000	$'000	$'000	$'000
(Loss)/profit before income tax	(2,803)	956	(3,538)	2,653
Adjustments for:				
Depreciation of property, plant and equipment	367	917	2,904	3,749
Interest expense	1	1	3	1
Impairment loss on goodwill on consolidation	1,001	-	1,001	-
Amortisation of intangible asset	38	38	149	149
Impairment on intangible asset	594	-	594	-
Loss on liquidation of a subsidiary	75	-	75	-
Net change in fair value of investment properties	-	85	-	85
Provision for foreseeable loss	-	2	-	2
Unwinding of discount on site restoration provision	4	4	18	17
Interest income	(89)	(32)	(424)	(127)
Net gain on disposal of property, plant and equipment	(55)	(81)	(57)	(127)
Operating cash flow before working capital changes	(867)	1,890	725	6,402
Changes in inventories	(1)	(331)	253	(344)
Changes in contract assets	3,824	4,046	(4,388)	12,177
Changes in contract liabilies	82	618	(786)	602
Changes in trade and other receivables	1,820	1,945	(4,246)	5,490
Changes in trade and other payables	510	(3,049)	1,973	(5,091)
Cash generated from/(used in) operating activities	5,368	5,119	(6,469)	19,236
Income tax (paid) / refund	(43)	-	(340)	(41)
Net cash generated from/ (used in)operating activities	**5,325**	**5,119**	**(6,808)**	**19,195**
Cash flows from investing activities				
Interest received	89	32	424	127
Proceeds from disposal of property, plant and equipment	253	81	260	127
Acquisition of property, plant and equipment	(285)	(138)	(1,837)	(1,132)
Net cash generated from/(used in)investing activities	**56**	**(25)**	**(1,153)**	**(878)**
Cash flows from financing activities				
Proceeds from exercise of warrants	-	-	-	118
Proceeds from contribution by non-controlling interest	-	-	6	-
Purchase of treasury shares	-	(118)	(75)	(118)
Dividends paid	-	-	(1,043)	(859)
Repayments of finance lease liabilities	(5)	(4)	(19)	(12)
Interest paid	(1)	(1)	(3)	(2)
Net cash generated (used in) financing activities	**(5)**	**(123)**	**(1,134)**	**(873)**
Net increase/ (decrease) in cash and cash equivalents	**5,377**	**4,971**	**(9,096)**	**17,444**
Cash and cash equivalents at beginning of period	21,171	30,677	35,648	18,211
Effect of exchange rate fluctuations on cash held	1	-	(4)	(7)
Cash and cash equivalents at end of period	**26,549**	**35,648**	**26,548**	**35,648**

** Denotes amount less than S$1,000*

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.

	Share capital	Treasury shares	Capital reserve	Currency Translation reserve	Retained earnings	Total	Non-controlling interest
2018	$000	$000	$000	$000	$000	$000	$000
The Group							
Beginning of financial year	26,254	(118)	-	2	33,513	59,651	-
Loss for the year	-	-	-		(3,766)	(3,766)	(1)
Other comprehensive income for the year				(4)	-	(4)	-
Total comprehensive income for the year	-	-	-	(4)	(3,766)	(3,770)	(1)
Purchase of treasury shares	-	(75)	-	-	-	(75)	-
Capital contribution by non-controlling interests	-	-	-	-	-	-	6
Dividends	-	-	-	-	(1,043)	(1,043)	-
Total transactions with owners, recognised directly in equity	-	(75)	-	-	(1,043)	(1,118)	6
At 31 December 2018	26,254	(193)	-	(2)	28,704	54,763	5
2017							
Beginning of financial year	26,130	-	6	9	32,205	58,350	-
Profit for the year	-	-	-		2,167	2,167	-
Other comprehensive income for the year	-	-	-	(7)	-	(7)	-
Total comprehensive income for the year	-	-	-	(7)	2,167	2,160	-
Shares issued for exercise of warrants	124	-	(6)	-	-	118	-
Purchase of treasury shares		(118)				(118)	-
Dividends	-	-	-	-	(859)	(859)	-
Total transactions with owners, recognised directly in equity	124	(118)	(6)	-	(859)	(859)	-
At 31 December 2017	26,254	(118)	-	2	33,513	59,651	-

	Share capital	Treasury shares	Capital reserve	Retained earnings	Total
2018	$000	$000	$000	$000	$000
The Company					
Beginning of financial year	26,254	(118)	-	22,969	49,105
Profit for the year	-	-	-	2,418	2,418
Total comprehensive income for the year	-	-	-	2,418	2,418
Purchase of treasury shares	-	(75)			(75)
Dividends	-		-	(1,043)	(1,043)
Total transactions with owners, recognised directly in equity	-	(75)	-	(1,043)	(1,118)
At 31 December 2018	26,254	(193)	-	24,344	50,405
2017					
Beginning of financial year	26,130	-	6	18,701	44,837
Profit for the year	-	-	-	5,127	5,127
Total comprehensive income for the year	-	-	-	5,127	5,127
Shares issued for exercise of warrants	124	-	(6)	-	118
Purchase of treasury shares		(118)	-	-	(118)
Dividends	-		-	(859)	(859)
Total transactions with owners, recognised directly in equity	124	(118)	(6)	(859)	(859)
At 31 December 2017	26,254	(118)	-	22,969	49,105

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 well as the number of shares held as treasury shares, 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.

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. The warrants expired on 8 September 2017 and the balance of the unexercised 1,844,800 warrants lapsed and was cancelled on expiry date. The total proceeds raised were fully utilised in FY2017 and fully disclosed in Q4 FY2017.

The Company did not purchase any shares in the current quarter. As at 31 December 2018, the total number of treasury shares held is 2,822,000 shares. As at the date of this announcement, no action is taken on the treasury shares.

	As at 31 Dec 2018	As at 31 Dec 2017
Issued and paid-up shares		
As at beginning of the period	581,546,400	572,785,700
Shares issued pursuant to exercise of warrants	-	8,760,700
As at	581,546,400	581,546,400
Treasury shares		
As at beginning of the period	1,638,000	-
Movement during the period	1,184,000	1,638,000
As at	2,822,000	1,638,000
Total number of issued shares excluding treasury shares as at the end of the period	**578,724,400**	**579,908,400**
Total outstanding warrants as at	-	-

The Company does not have any subsidiary that holds shares issued by the Company.

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 2018	As at 31 Dec 2017
Total number of shares	581,546,400	581,546,400
Less: Treasury shares	2,822,000	1,638,000
Total number of issued shares excluding treasury shares	**578,724,400**	**579,908,400**

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

Please refer to item 1(d) (ii).

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.

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 2017.

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.

In the current financial year, the Group has adopted the new/revised Singapore Financial Reporting Standards (International) ("SFRS (I)") and the interpretations of SFRS(I) that are effective for annual periods beginning on or after 1 January 2018:

In adopting SFRS(I), the Group will be required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of International Financial Reporting Standards (International).* In addition, the Group will also concurrently apply the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date:

- SFRS(I) 15 *Revenue from Contracts with Customers,* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;

- SFRS(I) 9 *Financial Instruments,* which includes amendments arising from IFRS 4 *Insurance Contracts* issued by the IASB in September 2016;
- Requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 – *Transfers of investment property* issued by the IASB in December 2016;
- Requirements in SFRS(I) 1 arising from the amendments to IFRS 1 – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration.*

The adoption of these SFRS (I)s, amendments and interpretations of SFRS(I)s will not have any significant impact on the financial statements of the Group.

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 2018	4Q 2017	FY2018	FY2017
EPS (based on consolidated net (loss) /profit attributable to equity holders)				
- on weighted average number of ordinary shares in issue (cents)	(0.50)	0.12	(0.65)	0.38
- on fully diluted basis (cents)	(0.50)	0.12	(0.65)	0.38
Weighted average number of shares in issue during the period used in computing basic EPS	578,724,400	580,934,620	579,089,543	574,911,309
Weighted average number of shares in issue during the period used in computing diluted EPS	578,724,400	580,934,620	579,089,543	574,911,309

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 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Net asset value per ordinary share based on existing issued share capital as at the respective dates (cents)	9.46	10.29	8.71	8.47
Number of shares (issued and issuable) used in computing net asset value per ordinary share	578,724,400	579,908,400	578,724,400	579,908,400

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.

Summary of Salient facts

a. The Group's prudence stance, in undertaking projects or work that will yield neutral gross profit margins (where it is necessary to defend business relationships or where the business relationship can be further developed into new/more opportunities for the Group) or positive gross profit margins, has resulted the Group in achieving a positive gross profit margin for the financial year ended 31 December 2018. The Group will continue to adhere to this strategy into the current financial year 2019;
b. Taking into account non- cash items (goodwill, impairment on intangibles, loss on liquidation of a subsidiary) and one-off expenses pertaining to professional fees, the Group's adjusted net loss is $1.3m. Adjusted Earnings before Interest, taxes, depreciation and amortisation ("EBITDA") for FY2018 is $1.8 million. For details please see (vii) below.
c. As at the date of this announcement, $6.9 million or 59% of trade receivables (as at 31 December 2018) has been realised; and
d. The Group continues to have a strong footing in its net working capital position – $42.1 million as at 31 December 2018.

(i) Revenue and profitability

4Q 2018 versus 4Q 2017

Revenue decreased by $1.36 million or 9.5% mainly due to fewer job activities.

Cost of sales declined marginally by $32,000 or 0.3%. Although there was reduction in labour costs, depreciation and general expenses, these reduced costs were offset by higher direct materials, subcontractor and hire equipment costs. Due to certain job requirements, we need to incur these costs.

As mentioned in 3Q2018, as part of cost savings initiatives, we had taken steps to review the useful lives, maintenance and the utilisation rates of our existing fixed assets. During the current quarter, depreciation costs were reduced by $550,000.

Gross profit declined by $1.3 million or 57%. Gross profit margin also declined from 16.3% (4Q2017) to 7.7% (4Q2018). The lower gross profit and gross profit margin were due to lower revenue and lower margin earned from current jobs.

FY2018 versus FY2017

Revenue declined by $10.7 million or 14.5%. The decline in revenue was due to (i) lower job volume in view of the continued weak market conditions and (ii) Management seeking projects that will contribute neutral or positive margin to the Group.

Cost of Sales declined by $6.7 million or 10.1% which is relatively in line with the decline in revenue. The Group will continue to closely monitor these costs and ensure resources are deployed efficiently.

Gross profit was lower by $4.0 million or 53.6%. Gross profit margin declined from 10.2% in FY2017 to 5.5% in FY2018. Contribution profit margin reduced from 18.6% (FY2017) to 13.5% (FY2018). The lower gross profit and margins were due mainly to lower revenue.

(ii) Other income

In the current quarter, other income decreased by $28,000 or 16.3% On an overall basis, other income declined by $142,000 or 14.2%. The lower income was mainly due to lower wage credit scheme and lesser gain from fixed assets sold in the current year.

(iii) Administrative expenses

Administration expenses increased by $1.5 million or 101.6% in the fourth quarter of 2018. The increase was due to

a) impairment amount of $594,000 for the intangible asset;

b) provision for professional fees of $567,000 incurred for the proposed Joint Venture with a US partner (refer to announcement dated 29 January 2019 for the proposed Joint Venture);

c) Provision for doubtful debt of $52,000 for certain customers; and

d) Higher salary costs, depreciation and general expense costs

Overall for the financial year, Administration expenses increased by $1.6 million or 27.8% due to the above reasons.

(iv) Other operating expenses

Other operating expenses include foreign exchange gain and losses. The higher costs of $1 million incurred in 4Q2018 were due to the following:

a) impairment loss of $1 million on goodwill on consolidation; and

b) loss on liquidation of a subsidiary of $75,000 in view of our plan to liquidate the subsidiary in India.

On an overall basis for the financial year, other operating expenses increased by $697,000. The above costs were offset by exchange gain due to weakening of SGD against the USD.

(v) Finance income and expenses

The Group recorded an increase in interest income of $297,000 in FY2018 as compared to FY2017. Higher income due to higher interest rates and more cash available for deposits placement.

(vi) Income tax expense

The Group recorded a tax expense of $77,000 in the current quarter, a decrease of $181,000 as compared to the corresponding quarter. The decrease is due to lower tax provisions made.

For the current year, there was a decrease of tax expenses by $257,000. This is mainly due to lower tax provisions required in view of the current performance of the Group.

(vii) Current year Performance

The Group suffered a net loss of $3.5 million in the current year as compared to a profit of $2.7million in FY2017.

		4Q 2018	4Q 2017	FY2018	FY2017
		$'000	$'000	$'000	$'000
	Net (loss) / profit before tax	**(2,803)**	**956**	**(3,538)**	**2,653**
	Add				
(1)	Impairment loss on goodwill arising on consolidation	1,001	-	1,001	-
(2)	Impairment on intangible asset	594	-	594	-
(3)	Loss on liquidation of a subsidiary	75	-	75	-
(4)	Provision for professional fees pertaining to proposed Joint Venture	567	-	567	-
	Adjusted net (loss)/ profit before tax	**(566)**	**956**	**(1,301)**	**2,653**
	Add depreciation	367	917	2,904	3,749
	Add amortisation on intangible	38	38	149	149
	EBITDA from operations	**(161)**	**1,911**	**1,752**	**6,551**
	EBITDA margin	*-0.3%*	*2.6%*	*2.8%*	*8.9%*

Excluding non-cash items (goodwill, impairment on intangible asset, loss on liquidation of a subsidiary) and one-off expenses pertaining to professional fees, the Group's adjusted net loss is $1.3 million. The Group also generated positive operating EBITDA of $1.8 million for FY2018.

Notes to statements of financial position

Group and Company

(i) Property, plant and equipment (decreased by $1.3 million)

Additions of fixed assets offset by depreciation expense of $2.9 million. The additions of fixed assets are part of our effort to improve productivity and operational capabilities.

(ii) Intangible asset (decreased by $0.7 million)

The decrease is due to amortisation and impairment of intangible asset.

(iii) Goodwill on Consolidation (decreased by $1 million)

Decreased due to impairment on goodwill arising from consolidation.

(iv) Subsidiaries (decreased by $1.9 million)

Impairment made in the recoverability of investments from Ohm Engineering and intended plan to liquidate the subsidiary in India.

(v) Inventories (decreased by $0.3 million)

The decrease in inventories was due to lesser materials kept at year end.

(vi) Net Contract Assets & Liabilities (increased by $5.2 million)

Contract assets include contract work in progress and accrued receivables for work done. We have previously recorded accrued receivables under Trade Receivables. Contract liabilities include progress billings over contract work in progress and advance payments. We have reclassed the FY2017 comparatives to be align with SFRS(1) Revenue from Contracts with Customers.

Net contract assets increased to $5.2 million as at 31 December 2018 due to ongoing jobs and fewer progress billings for these jobs as compared to prior year.

(vii) Trade and other receivables (increased by $4.2 million)

Included in other receivables is an amount of $2.2 million pertaining to the purchase of an automated welding machine which was delivered in the third quarter of 2018. This automated welding machine is part of our effort to mechanize and automate our fabrication activities at our current yard. The installation is expected to be completed by June 2019.

Trade receivable balances increased by $4.2 million mainly due to timing of collections from customers and the purchase of the above automated welding machine.

The trade receivables turnover days in 2018 had risen to 68 days (FY2017: 45 days) because a few major customers took a longer time to approve the final billing amount before payment. The credit profile of the customers remains unchanged from FY2017.

(viii) Trade and other payables (increased by $2.0 million)

The increase in trade and other payables was due to timing of payments to suppliers and provisions for professional fees for the proposed Joint Venture.

(ix) Loans and borrowings

The outstanding loan amount was for the hire purchase financing arrangements for fixed assets purchased in the second half of FY2017. The decrease in the loan amount in the current year was due to payment of hire purchase amount.

(x) Deferred tax liabilities and tax payable

The increase in deferred tax liabilities of $49,000 was due to additional tax provisions made on deferred tax liabilities.

The decline in tax payable of $159,000 was mainly due to payment of tax offset by lower current tax provisions.

(xi) Treasury Shares

A total of 1,184,000 treasury shares were purchased for $75,000 in the current year.

Notes to cash flow statement

The Group reported a cash balances of $26.5 million as at 31 December 2018. A decline of $9.1 million from $35.6 million as at 31 December 2017. The cash outflow incurred due to (i) changes in working capital of $6.8 million; (ii) additions of plant and equipment of $1.8 million and (iii) payment of dividends of $1.0 million.

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 Group incurred an adjusted net loss of $1.3 million and generated a positive operating EBITDA of $1.8 million for FY2018.

The Board believes the challenging market conditions in 2018 will continue in 2019. Margin will continue to be under pressure in such conditions. We expect capital commitments by our major business partners to be cautious in view of the higher funding costs and global economies slowdown amid the trade war between US and China.

We will intensify our effort to penetrate new markets in 2019. We will also continue with our business strategy of seeking projects that would contribute positive profit. We will continue to exercise costs discipline and improve current productivity level.

The Group made an announcement on 29 January 2019 that the Company is in advanced discussion to enter into a joint venture ("NewCo") with an owner in North America. Investment in NewCo will enable the Group to have quicker access to the oil and gas and petrochemical industries in North America. In addition, the NewCo will be in a good position to undertake higher dollar value projects and establish new customers which the owner previously could not due to limited funding. The Group, through NewCo, will be able to introduce specialised services to existing and new customers in North America.

Should the joint venture materialise, the Group would be able to diversify its customer base significantly to include those from power, oil and gas and petrochemical industries in North America. This is critical to the Group as the main industries that it current serves are dominated by a small number of major players. This oligopolistic condition or situation has allowed our customers to exert significant influence to dictate prices, method in the awarding of contracts and manner that works that can be executed. These have affected our profitability.

The discussion with Jurong Town Corporation ("JTC") on the possibility of extending the current lease tenure is still ongoing. The existing lease will expire in August 2020. The Group has begun to source for an alternative location in the event that we are unable to extend the current lease tenure.

During the financial year, the Board of Directors have undertaken a detailed review of the Group operating cash flows – current and forecasted. The Group's current operations utilised a land area of approximately 220,000 square feet. It would require the Group to commit significant financial resources to acquire a property of similar size.. In order to conserve cash, for working capital, capital expenditure, business expansions and re-location, the dividend payments in the coming years will likely be at levels similar or closed to that of financial year 2018. The Board of Directors will undertake periodic reviews of the Group's cash flows to re-assess its dividend policy.

The Company would like to remind all shareholders that there is no assurance that the Proposed Joint Venture will materialise or the existing lease is extended. As such, shareholders of the Company are advised to exercise caution when dealing in the shares of the Company and to refrain from taking any action in relation to their shares which may be prejudicial to their interests. Persons who are in doubt, as to the action they should take, should consult their stockbroker, bank manager, solicitor, accountant or other professional advisers.

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 year is as follows:

FY2018

Name of dividend	Final
Dividend type	Cash
Amount	0.03 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:

FY2017

Name of dividend	Final
Dividend type	Cash
Amount	0.18 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 shareholders' approval 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 shareholders' approval at the forthcoming Annual General Meeting.

12. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

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.

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.

FY2018

(Amount in $'000)	Mechanical engineering	Electrical, instrumentation and others	Total
External revenue	56,427	6,451	62,878
Inter-segment revenue	97	1,430	1,527
Total revenue	56,524	7,881	64,405
Interest income	344	80	424
Interest expense	3	-	3
Amortisation of intangible asset	-	149	149
Depreciation of property, plant and equipment	2,733	171	2,904
Reportable segment (loss)/profit before income tax	(4,675)	301	(4,374)
Other material non-cash item:			
Impairment of intangible asset and goodwill	-	1,595	1,595
Reportable segment assets	56,439	9,346	65,785
Capital expenditure	1,683	223	1,906
Reportable segment liabilities	10,042	425	10,467

FY2017 (Restated)

(Amount in $'000)	Mechanical engineering	Electrical, instrumentation and others	Total
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	52,956	16,761	69,717
Capital expenditure	1,257	6	1,263
Reportable segment liabilities	8,607	915	9,522

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

(Amount in $'000)	FY2018	FY2017
Revenue		
Total revenues for reportable segments	64,405	74,891
Elimination of inter-segment revenue	(1,527)	(1,323)
Consolidated revenue	62,878	73,568
Profit or loss		
Total profit or loss for reportable segments	(4,374)	2,408
Elimination of Intersegment gross profit	790	199
Unallocated segment profit	46	46
Consolidated profit before income tax	(3,538)	2,653
Assets		
Total assets for reportable segments	65,785	69,717
Investment properties	1,225	1,225
Others	202	-
Deferred tax asset	-	1
Consolidated total assets	67,212	70,943
Liabilities		
Total liabilities for reportable segments	10,467	9,522
Current tax payable	176	335
Others	317	-
Deferred tax liabilities	1,484	1,435
Consolidated total liabilities	12,444	11,292

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 FY2018 due to the lower volume of projects undertake in in FY2018. The segment loss of $4.8 million include impairment of goodwill and intangible assets, loss on liquidation of a subsidiary and professional fees incurred in the proposed Joint Venture. Had we not include these expenses, the adjusted segment loss would be $2.6 million. The losses incurred were due to lower job activities and lower margin earned from current jobs in view of the competitve environment.

Revenue from the electrical, instrumentation and others segment decreased in FY2018. Segment profit in this segment was lower as compared to FY2017 due mainly to lower job activities.

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

16. A breakdown of sales as follows:

	FY2018 $'000	FY2017 $'000	Change (%)
Sales for first half year	27,734	42,995	(35.5)
Operating profit after tax due to owners of Company for first half year	(725)	644	(212.6)
Sales for second half year	35,144	30,573	15.0
Operating profit after tax due to owners of Company for second half year	(3,041)	1,523	(299.7)

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

	FY2018 $'000	FY2017 $'000
<u>Cash dividends paid during the financial year</u>		
2017 final one-tier tax exempt dividend of 0.18 cents per share paid (FY2016: 0.15 cents per share)	1,043	859
Total	1,043	859
<u>Cash dividends proposed but not recognised as a liability as at the end of the financial year</u>		
2018 proposed final one-tier tax exempt dividend of 0.03 cents per share (FY2017: 0.18 cents)	174	1,043
	(Refer to Note)	

<u>Note</u>: Proposed cash dividend for FY2018 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 shareholders' approval at the forthcoming AGM in April 2019. 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	61	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 Mun Siong Engineering Group (the "Group"). Year when position was first held: 2000	N.A.
Quek Kian Hui	34	Son of Cheng Woei Fen (Executive Chairlady cum CEO)	Executive Director Assist the Chairlady cum CEO in management of the operations of Mun Siong Engineering Limited. Year when position was first held: 2014	N.A.

20. Use of IPO Proceeds

a) 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 quarter, 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 2017	1st Qtr 2018	2nd Qtr 2018	3rd Qtr 2018	4th Qtr 2018		
To establish a regional presence	4,000	-	(1,875)	(12)	(18)	(4)	(5)	(1,914)	2,086
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	-	(16,449)	(12)	(18)	(4)	(5)	(16,488)	2,412

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

BY ORDER OF THE BOARD

CHENG WOEI FEN
Executive Chairlady

21st FEBRUARY 2019