MUN SIONG ENGINEERING LIMITED

FOURTH QUARTER AND FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019

1(a)(i) An income statement and 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			Year ended 31 Dec		
	4Q 2019	4Q 2018	Incr / (Decr)	2019	2018	Incr / (Decr)
	$'000	$'000	%	$'000	$'000	%
Revenue	26,615	12,887	106.5	70,540	62,878	12.2
Cost of sales	(24,205)	(11,890)	103.6	(65,474)	(59,392)	10.2
Gross profit	2,410	997	141.7	5,066	3,486	45.3
Other income and recoveries	216	144	50.0	1,400	859	63.0
Administrative expenses	(1,493)	(2,964)	(49.6)	(5,836)	(7,473)	(21.9)
Other operating expenses	(238)	(1,063)	(77.6)	(95)	(813)	(88.3)
Results from operating activities	895	(2,886)	131.0	535	(3,941)	(113.6)
Finance income	80	88	(9.1)	377	424	(11.1)
Finance expenses	(11)	(5)	120.0	(43)	(21)	104.8
Profit / (Loss) before income tax	964	(2,803)	134.4	869	(3,538)	(124.6)
Income tax expense	(351)	(77)	355.8	(368)	(229)	60.7
Profit / (Loss) after income tax	**613**	**(2,880)**	121.3	**501**	**(3,767)**	(113.3)
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
Foreign currency translation difference from foreign operations	3	1	200.0	1	(4)	(125.0)
Total comprehensive income	**616**	**(2,879)**	121.4	**502**	**(3,771)**	(113.3)
Profit / (Loss) attributable to:						
Owners of the Company	**608**	**(2,880)**	121.1	**496**	**(3,766)**	(113.2)
Non-controlling interest	**5**	**-**	NM	**5**	**(1)**	(600.0)
	613	**(2,880)**	121.3	**501**	**(3,767)**	(113.3)
Total comprehensive income attributable to:						
Owners of the Company	**610**	**(2,878)**	121.2	**497**	**(3,770)**	(113.2)
Non-controlling interest	**6**	**(1)**	700.0	**5**	**(1)**	(600.0)
	616	**(2,879)**	121.4	**502**	**(3,771)**	(113.3)

NM: Not meaningful

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

	Group			Group		
	Qtr ended 31 Dec			Year Ended 31 Dec		
	4Q 2019	4Q 2018	Incr / (Decr)	2019	2018	Incr / (Decr)
	$'000	$'000	%	$'000	$'000	%
Depreciation	824	367	124.5	3,254	2,904	12.1
Amortisation of intangible asset	-	38	(100.0)	-	149	(100.0)
Impairment of intangible asset	-	594	(100.0)	-	594	(100.0)
Provision for doubtful debts	155	52	198.1	155	52	198.1
Net (gain) / loss on disposal of property, plant and equipment	-	(55)	(100.0)	(77)	(57)	(35.1)
Fixed assets written off	25	-	NM	25	-	NM
Share-based compensation expense	-	-	-	38	-	NM
Impairment loss on goodwill on consolidation	-	1,001	(100.0)	-	1,001	(100.0)
Loss on liquidation of a subsidiary	-	75	(100.0)	-	75	(100.0)
Net foreign exchange loss /(gain)	213	15	1,320.0	70	(232)	(130.2)
Finance (income)/expenses:						
Interest income	(80)	(89)	(10.1)	(377)	(424)	(11.1)
Interest on borrowings	1	1	-	3	3	-
Interest on lease liabilities	5	-	NM	21	-	NM
Unwinding of discount on site restoration provision	5	4	25.0	19	18	5.6
Under/ (over) provision of tax in respect of prior years	15	-	NM	15	-	NM

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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		Change	Company (Note 1)		Change
	31 Dec' 19	31 Dec'18		31 Dec' 19	31 Dec'18	
	$'000	$'000	%	$'000	$'000	%
Non-current assets						
Property, plant and equipment	13,870	13,347	3.9	13,897	13,367	4.0
Rights of Use assets	406	-	NM	406	-	NM
Investment properties	1,225	1,225	-	1,225	1,225	-
Investment in Subsidiaries	-	-	-	2,828	2,580	9.6
Total non-current assets	**15,501**	**14,572**	6.4	**18,356**	**17,172**	6.9
Current assets						
Inventories	242	351	(31.1)	242	351	(31.1)
Contract assets	16,228	10,059	61.3	16,052	9,277	73.0
Trade and other receivables	18,820	15,681	20.0	18,839	15,622	20.6
Cash and cash equivalents	27,363	26,549	3.1	24,999	20,777	20.3
Total current assets	62,653	52,640	19.0	60,132	46,027	30.6
Total assets	**78,154**	**67,212**	16.3	**78,488**	**63,199**	24.2
Equity attributable to equity holders of the Company						
Share capital	26,254	26,254	-	26,254	26,254	-
Treasury shares	(138)	(193)	(28.5)	(138)	(193)	(28.5)
Share based payment reserve	(17)	-	NM	(17)	-	NM
Translation reserve	(1)	(2)	50.0	4	-	NM
Retained earnings	29,001	28,704	1.0	28,695	24,344	17.9
Total equity attributable to owners of the Company	**55,099**	**54,763**	0.6	**54,798**	**50,405**	8.7
Non-controlling interest	10	5	100.0	-	-	-
Total equity	**55,109**	**54,768**	0.6	**54,798**	**50,405**	8.7
Non-current liabilities						
Loans and borrowings	62	81	(23.5)	62	81	(23.5)
Provision for restoration costs	374	355	5.4	374	355	5.4
Lease liabilities	132	-	NM	132	-	NM
Deferred tax liabilities	1,581	1,484	6.5	1,581	1,484	6.5
Total non-current liabilities	2,149	1,920	11.9	2,149	1,920	11.9
Current liabilities						
Trade and other payables	20,180	10,247	96.9	20,830	10,773	93.4
Contract liabilities	144	82	75.6	144	82	75.6
Loans and borrowings	19	19	-	19	19	-
Lease liabilities	284	-	NM	284	-	NM
Tax payable	269	176	52.8	264	-	NM
Total current liabilities	20,896	10,524	98.6	21,541	10,874	98.1
Total liabilities	**23,045**	**12,444**	85.2	**23,690**	**12,794**	85.2
Total equity and liabilities	**78,154**	**67,212**	16.3	**78,488**	**63,199**	24.2

NM: Not meaningful

Note 1: The Company level includes Taiwan Mun Siong Engineering Taiwan Branch's financial results

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

Amount repayable in one year or less, or on demand

31 Dec 2019		31 Dec 2018	
Secured	Unsecured	Secured	Unsecured
$'000	$'000	$'000	$'000
19	-	19	-

Amount repayable after one year

31 Dec 2019		31 Dec 2018	
Secured	Unsecured	Secured	Unsecured
$'000	$'000	$'000	$'000
62	-	81	-

Details of any collateral

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

Excluded in the borrowings are lease liabilities of $0.4 million which are secured over the right of use assets.

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

	Group		Group	
	4Q 2019	4Q 2018	FY2019	FY2018
Cash flows from operating activities	$'000	$'000	$'000	$'000
Profit / (Loss) before income tax	964	(2,803)	869	(3,538)
Adjustments for:				
Depreciation	824	367	3,254	2,904
Interest expense	6	1	24	3
Share based compensation	-	-	38	-
Amortisation of intangible asset	-	38	-	149
Impairment on intangible asset	-	594	-	594
Impairment loss on goodwill on consolidation	-	1,001	-	1,001
Property, plant and equipment written off	25	-	25	-
Unwinding of discount on site restoration provision	5	4	19	18
Loss on liquidation of subsidiary	-	75	-	75
Interest income	(80)	(89)	(377)	(424)
Net (gain)/ loss on disposal of property, plant and equipment	-	(55)	(77)	(57)
Operating cash flow before working capital changes	1,743	(867)	3,775	725
Changes in inventories	215	(1)	109	253
Changes in contract assets	(3,154)	3,824	(6,167)	(4,388)
Changes in trade and other receivables (Note 1)	(6,690)	1,821	(5,378)	(4,246)
Changes in trade and other payables	8,934	510	9,931	1,973
Changes in contract liabilities	66	82	62	(786)
Cash generated/(used in) from operating activities	1,113	5,369	2,332	(6,469)
Income tax refund / (paid)	1	(43)	(178)	(340)
Net cash generated/(used in) from operating activities	**1,114**	**5,326**	**2,154**	**(6,809)**
Cash flows from investing activities				
Interest received	80	89	377	424
Proceeds from disposal of property, plant and equipment	-	253	175	260
Acquisition of property, plant and equipment	(97)	(285)	(1,242)	(1,837)
Net cash generated/(used in) from investing activities	**(17)**	**57**	**(690)**	**(1,153)**
Cash flows from financing activities				
Proceeds from contribution by non-controlling interest	-	-	-	6
Purchase of treasury shares	-	-	-	(75)
Dividends paid	-	-	(174)	(1,043)
Repayment of borrowings	(5)	(5)	(19)	(19)
Repayment of finance lease labilities	(108)	-	(435)	-
Interest paid	(6)	(1)	(24)	(3)
Net cash generated/(used in) from financing activities	**(119)**	**(6)**	**(652)**	**(1,134)**
Net increase/(decrease) in cash and cash equivalents	**978**	**5,377**	**812**	**(9,096)**
Cash and cash equivalents at beginning of period	26,382	21,171	26,549	35,648
Effect of exchange rate fluctuations on cash held	3	1	2	(3)
Cash and cash equivalents at end of period	**27,363**	**26,549**	**27,363**	**26,549**

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

Note 1: prepaid assets of $2.2 million were reclassed to property, plant and equipment in Q22019. This reclassification has no cashflow impact.

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	Treasury shares	Share based Compensation reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total Equity
2019	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
The Group								
Beginning of financial year	26,254	(193)	-	(2)	28,704	54,763	5	54,768
Effects on adoption of SFRS (I) 16					(25)	(25)	-	(25)
Adjusted balance as at 1 January 2019	**26,254**	**(193)**	**-**	**(2)**	**28,679**	**54,738**	**5**	**54,743**
Profit / (Loss) for the year	-	-	-	-	496	496	5	501
Other comprehensive income for the year				1	-	1	-	1
Total comprehensive income for the year	-	-	-	1	496	497	5	502
Grant of performance shares to employee		55	(17)			38		38
Dividends paid	-			-	(174)	(174)	-	(174)
Total transactions with owners, recognised directly in equity	-	55	(17)	-	(174)	(136)	-	(136)
As at 31 Dec 2019	**26,254**	**(138)**	**(17)**	**(1)**	**29,001**	**55,099**	**10**	**55,109**
2018								
Beginning of financial year	26,254	(118)	-	2	33,513	59,651	-	59,651
Profit / (Loss) for the year	-	-	-		(3,766)	(3,766)	(1)	(3,767)
Other comprehensive income for the year	-	-	-	(4)	-	(4)	-	(4)
Total comprehensive income for the year	-	-	-	(4)	(3,766)	(3,770)	(1)	(3,771)
Dividends paid	-		-		(1,043)	(1,043)	-	(1,043)
Purchase of treasury shares	-	(75)	-	-	-	(75)	-	(75)
Capital contribution by non controlling interests						-	6	6
Total transactions with owners, recognised directly in equity	-	(75)	-	-	(1,043)	(1,118)	6	(1,112)
As at 31 Dec 2018	**26,254**	**(193)**	**-**	**(2)**	**28,704**	**54,763**	**5**	**54,768**

	Share capital	Treasury shares	Share based Compensation reserve	Translation Reserve	Retained earnings	Total
2019	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
The Company						
Beginning of financial year	26,254	(193)	-	-	24,344	50,405
Effects on adoption of SFRS (I) 16				-	(25)	(25)
Adjusted balance as at 1 January 2019	**26,254**	**(193)**	**-**	**-**	**24,319**	**50,380**
Profit / (Loss) for the year	-	-	-	-	4,550	4,550
Other comprehensive income for the year				4		4
Total comprehensive income for the year	-	-	-	4	4,550	4,554
Dividends paid	-		-	-	(174)	(174)
Grant of performance shares to employee	-	55	(17)			38
Total transactions with owners, recognised directly in equity	-	55	(17)	-	(174)	(136)
As at 31 Dec 2019	**26,254**	**(138)**	**(17)**	**4**	**28,695**	**54,798**
2018						
Beginning of financial year	26,254	(118)	-	22,969	22,969	72,074
Profit / (Loss) for the year	-	-	-	2,418	2,418	4,836
Total comprehensive income for the year	-	-	-	2,418	2,418	4,836
Dividends paid	-			(1,043)	(1,043)	(2,086)
Purchase of treasury shares	-	(75)	-	-	-	(75)
Total transactions with owners, recognised directly in equity	-	(75)	-	(1,043)	(1,043)	(2,161)
As at 31 Dec 2018	**26,254**	**(193)**	**-**	**24,344**	**24,344**	**74,749**

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 issuer, 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.

The Company did not purchase any shares nor reissued any treasury shares in the current quarter. During the year, a total of 800,000 of treasury shares were reissued pursuant to MSE Performance Share Plan. At the end of the current year, the total number of treasury shares held is 2,022,000 shares.

	As at 31 Dec 2019	As at 31 Dec 2018
Issued and paid-up shares		
As at beginning and end of the year	581,546,400	581,546,400
Treasury shares		
As at beginning of the year	2,822,000	1,638,000
Purchase of treasury shares	-	1,184,000
Reissuance of treasury shares pursuant to share plan	(800,000)	-
As at end of the year	2,022,000	2,822,000
Total number of issued shares excluding treasury shares as at the end of the year	**579,524,400**	**578,724,400**

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

1(d)(iii) To show 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 2019	As at 31 Dec 2018
Total number of shares	581,546,400	581,546,400
Less: Treasury shares	2,022,000	2,822,000
Total number of issued shares excluding treasury shares	**579,524,400**	**578,724,400**

1(d)(iv) A statement showing all sales, transfers, cancellations and/or use of treasury shares 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.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion (a)Update on the efforts taken to resolve each outstanding audit issue (b)Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed. This is not required for any audit issue that is a material uncertainty relating to going concern.

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 2018.

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 applied adopted the following SFRS(I)s in the current financial year:

- SFRS (I) 16 Leases
- SFRS(I) INT 23 Uncertainty over Income Tax Treatments
- Amendments to SFRD(I) 1-28 Long Term Interests in Associates and Joint Ventures
- Amendments to SFRS (I) 9 Prepayment Features with Negative Compensation
- Amendments to SFRS (I) 3 and 11 Previously Held Interest in a Joint Operation
- Amendments to SFRS (I) 1-12 Income Tax Consequences on Financial Instruments Classified as Equity
- Amendments to SFRS (I) 1-23 Borrowing Costs Eligible for Capitalisation
- Amendments to SFRS (I) 1 -19 Plan Amendment, Curtailment or Settlement

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 except for SFRS(1) 16.

The Group applied ("SFRS (I)") 16 *Leases* on 1 January 2019 using the modified retrospective approach. SFRS(I) 16 introduces a single, on balance sheet lease accounting model for leases. A lessee recognizes a rights-of-use ("ROU") asset representing its rights to use the underlying asset and a lease liability representing the obligation to make lease payments.

The cumulative effective of adopting SFRS(I)16 will be recognized as an adjustment to the opening balance of the retained earnings on 1 January 2019 with no restatement of comparative information. The Group has also applied the practical expedient to grandfather the definition of a lease on transition.

As at 1 January 2019, at both the Group and Company, there was an increase in ROU assets of $827,000, an increase in lease liabilities of $852,000 and a decrease in retained earnings of $25,000.

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 2019	4Q 2018	2019	2018
EPS (based on consolidated net profit / (loss)				
- on weighted average number of ordinary shares in issue (cents)	0.11	(0.50)	0.09	(0.65)
- on fully diluted basis (cents)	0.11	(0.50)	0.09	(0.65)
Weighted average number of shares in issue during the period used in computing basic EPS	579,524,400	578,724,400	579,128,796	579,089,543
Weighted average number of shares in issue during the period used in computing diluted EPS	579,524,400	578,724,400	579,128,796	579,089,543

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the: -

(a) current financial period reported on; and
(b) immediately preceding financial year

	Group		Company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Net asset value per ordinary share based on existing issued share capital as at the respective dates (cents)	9.51	9.46	9.46	8.71
Number of shares (issued and issuable) used in computing net asset value per ordinary share	579,524,400	578,724,400	579,524,400	578,724,400

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.

Notes to the statement of comprehensive income

Revenue and profitability

Q4 2019 versus Q4 2018

The Group achieved a revenue of $26.6 million in the current quarter, an increase of $13.7 million or 106.5%. Cost of Sales increased by $12.3 million or 103.6%. The increase in Cost of Sales is in line with the increase in revenue.

Gross Profit earned in current quarter was $2.4 million; an increase of $1.4 million or 141.7.% from Q42018. Gross Profit Margin for Q42019 was 9.1% (Q42018: 7.7%). The improvement in Gross Profit Margin of 1.4% was mainly due to contribution from Taiwan turnaround project.

(i)Taiwan Operations

Taiwan Branch achieved a revenue of $7.5m in Q42019. This is the Group's maiden entry into Taiwan. We were awarded the integrated turnaround contract from CPC Corporation in June 2019. We completed the project slightly ahead of schedule in November 2019. We were able to recognize the revenue within FY2019 and consequently contribution to current year profit.

(ii)Singapore Operations

The Singapore Operations registered an increase in revenue of $6.2 million or 48.1% to $19.1 million. Following the momentum built up in Q32019, there were more projects and maintenance jobs in Q42019. Gross Profit Margin was 7.5% for the current quarter (Q42018: 7.7%); a small decline in margin.

(iii) Malaysia Operations

Petroliam Nasional Berhad ("Petronas") has yet to award the Group any work orders for FY2019 hence as such no revenue was recognised. Please refer to paragraph 10 of this announcement for the status of the Petronas' contract awarded on 1st March 2019.

FY2019 versus FY2018

Revenue increased by $7.7 million or 12.2% to $70.5 million for the current year. The Group achieved a revenue of $7.9 million for the Taiwan operations which is offset by the decline in revenue from the Singapore operations (it registered a decline in revenue of $0.2 million or 0.4% to $62.7 million). There were more project and maintenance activities in the second half of 2019. There was no revenue earned from the Malaysia operations.

Cost of Sales increased by $6.1 million or 10.2% which is in line with the increase in revenue. The Cost of Sales includes set up costs of $208,000 for the Malaysia operations.

Gross Profit increased by $1.6 million or 45.3% in the current year. Gross Profit Margin also improved by 1.7% to 7.2% (FY2018: Gross Profit Margin 5.5%). The improvement was due to (i) contribution from the Taiwan operations, (ii) better execution of jobs, (iii) effective deployment of work force and reducing reliance on subcontracting costs) and (iv) lower depreciation costs due to change in depreciation estimates in FY2018.

(i) Other income and recoveries

In the current quarter, other income and recoveries increased by $72,000 or 50.0%. The increase was due to higher income received from the sale of scrap (increased by $123,000) offset by lower grant and lower gain arising from sale of fixed assets.

On an overall basis, other income and recoveries increased by $541,000 or 63.0%. The increase was due to higher income received from the sale of scrap, recoveries of medical costs from our insurer and receipt of Government Grants for certain approved qualifying projects.

(ii) Administrative expenses

Administrative expenses declined by $1.5 million or 49.6% in the current quarter. The decline was due to absence of impairment of intangible asset ($594,000) and lower provision for professional fees ($567,000; fees related to the proposed acquisition of MJ&H Fabrication Inc which we aborted. Please refer to announcement dated 7 October 2019). There was also a decline in staff costs and lower depreciation costs incurred. The decline was offset by a provision for doubtful debt of $155,000 for a customer in the current quarter. We are seeking legal claims against the Directors of that customer whom had provided personal guarantees.

Administrative expenses declined by $1.6 million or 21.9% in the current year. The decline was due to the above reasons.

(iii) Other operating expenses

In Q42018, we recorded an impairment loss of $1.0 million on goodwill on consolidation and loss of liquidation of a subsidiary of $75,000. The goodwill was allocated to the electrical and instrumentation cash generating unit ("GCU") which the recoverable amount of the GCU as at 31 December 2018 was nil. The impairment and loss of liquidation were considered as one-off expenses.

Excluding the above one off costs, other operating expenses (mainly foreign exchange) increased by $251,000 to $238,000. We incurred an exchange loss due to strengthening of Singapore dollars against the USD dollar. This was a reversal in Q42018 in which the Singapore dollars was trending downwards.

On an overall basis, the operating expenses declined by $718,000 or 88.3% due to absence of one-off expenses incurred in FY2018 and exchange losses of $70,000 incurred in current year as compared to an exchange gain of $232,000 incurred in FY2018.

(iv) Finance income

Lower finance income due to lower interest rates and less cash available for deposits placement in the current quarter and current financial year.

(v) Finance expenses

The higher finance expense was mainly due to the recognition of interest expenses for the lease liabilities following the adoption of SFRS(I) 16 Leases.

(vi) Income tax expense

A higher tax expense was provided for in the current quarter. For the current year, the tax expense of $368,000 includes under provision of tax expense of $15,000 pertaining to prior year. The higher tax expense was due to higher profits recorded in Taiwan which has a higher tax jurisdiction and non deductible of certain Singapore and Malaysia expenses.

(vii) Current year performance

The Group achieved a profit before taxation of $964,000 and $869,000 for Q42019 and FY2019 respectively. This is a major improvement from FY2018 in which the Group suffered an adjusted net loss (excluding one off expenses) of $1.3 million for FY2018 (refer to fourth quarter results announcement dated 21st February 2019).

For the current financial year, the Group generated a positive EBITDA of $1.8 million and $4.2 million for Q42019 and FY2019 respectively. The Group generated a positive EBITDA of $1.8 million for FY2018.

Although the Group has achieved an improvement in profit, it is still working on its existing cost structure. It should be noted that profit before taxation (excluding finance income and other income), the Group incurred an adjusted net loss of $1.0 million for FY2019 (adjusted net loss of $2.6 million for FY2018).

Notes to statements of financial position

Group and Company

(i) Property, plant and equipment (increased by $0.5 million)

The increase was due to additions of $3.4 million (including prepaid assets of $2.2 million which we purchased in FY2018) offset by depreciation costs of $2.8 million.

(ii) Right-of-Use assets (increased by $0.4 million)

Recognition of right-of-use assets following the adoption of SFRS(I) 16 Leases.

(iii) Subsidiaries (increased by $0.2 million)

The increase is due to increase in share capital of our wholly owned Malaysia subsidiary.

(iv) Inventories (decreased by $0.1 million)

Lesser inventories purchased at year end.

(v) Contract Assets (increased by $6.2 million)

The increase was due to ongoing jobs that are yet to be completed or final billing amounts have yet to be agreed with customers as compared to 31 December 2018.

The amount $16.2 million includes accrued receivables of $7.9 million for work done for the Taiwan turnaround project. We billed the Taiwan customer (CPC) $5.4 million (68.4% of the total accrued receivables) in January 2020 and collected 100% of this amount in the same month itself. The remaining amount of $2.5 million will be finalized in subsequent months and billed in accordance to the contract agreement.

The balance contract assets of $8.3 million relates to Singapore jobs. The decline of $1.8 million was due to completion of jobs at year end and timing of billings as at 31 December 2019.

(vi) Trade and other receivables (increased by $3.1 million)

The increase due to increase in trade receivables of $4.2 million and decrease in other receivables of $1.1 million.

The increase in trade receivables was due to increase in billings due to more activities in the fourth quarter of 2019. Trade receivables turnover was: 83 days (31 December 2019: 68 days). As at 17 February 2020, the Group realised $11.4 million or approximately 71.0% of its outstanding trade receivables as at 31 December 2019.

The net decrease in other receivables was due to reclass of prepaid auto welding machine of $2.2 million purchased in FY2018 to Fixed Assets in the current year. This was offset by an increase in other prepayments pertaining to the change of our existing ERP software of $1.0 million.

(vii) Lease liabilities (increased by $0.1 million in non-current liabilities and $0.3 million in current liabilities)

Lease liabilities increased by $0.4 million, due to the recognition of lease liabilities on the balance sheet following the adoption of SFRS(I) 16 Leases.

(viii) Trade and other payables (increased by $9.9 million)

The increase is due to higher job activities in Q42019 in which more trade payables and accruals of expenses were recognised. There was also timing of payments to suppliers especially some Taiwan suppliers in which we were finalizing the amount at year end.

(ix) Tax payable (increased by $93,000)

Increase in tax provision for the Singapore and Taiwan operations.

(x) Loans and borrowings

The outstanding loan amount was for the hire purchase financing arrangements for the operating assets. The decrease in the loan amount in the current year was due to payment of hire purchase amount.

(xi) Treasury Shares (decreased by $55,000) and Capital Reserve (increased by $17,000)

Reissuance of 800,000 of treasury shares under the Group's Performance Share Plan. The Group recognized $38,000 of share- based compensation expense in the profit and loss in the current period.

Notes to cash flow statement

The Group reported a cash balances of $27.4 million as at 31 December 2019. An increase of $0.9 million from $26.5 million as at 31 December 2018.

The net cash of $2.2 million generated from operating activities was offset by use of funds in investing ($0.7 million) and financing activities ($0.7 million).

Net Working capital (current assets less current liabilities): $41.8 million as at 31 December 2019 and $42.1 million as at 31 December 2018. A slight decrease of $0.3 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 Peoples Republic of China (the "PRC") is one of the major global economy. The negative impact caused by the Novel Coronavirus (Covid-19) can be felt by other major global economies such as North America and Europe.

The disruptions to logistics infrastructure (lockdown of major highways and cities in the PRC and suspension of international flights to and from the PRC by major international airliners) and manufacturing facilities (extension of closure of businesses or imposition of operating restrictions) are set to disrupt the PRC economy and operations of both local and multi-national corporations. The imposition of travelling restrictions placed on PRC nationals by the PRC government (local, provincial and central) and foreign governments to prevent the spread of the Covid-19 into their countries, are also set to dampen economic activities. All these brought uncertainty to global financial and commodities markets.

There are expectations that the major oil producing countries under the umbrella of the Organisation of the Petroleum Exporting Countries (commonly referred to as OPEC) and Russia may be contemplating a reduction in their daily oil production volume. This is aimed at curtaining oil supply in order to maintain market prices in light of the slow-down in economic activities in major global economies (including the PRC), caused by the outbreak of the Covid-19.

From our past experiences, a decline in global crude oil prices will likely be followed by a reduction in the dollar value of capital expenditures or investment commitments that our business partners will undertake. This will lead to cancellation or deferment of works and will negatively affect our revenue and profitability.

The Group has activated its Business Continuity Plan and has taken preventive measures against the Covid-19 from affecting its business activities. These preventive measures are in line with those advised by the Ministry of Health (Singapore). The Group currently has a work force of more than 1,000 people and are housed at shared dormitories. Any outbreak at these dormitories will have adverse effect on the Group's operating capabilities.

Singapore

The Group's much anticipated gradual consolidation among the service providers, like itself, is becoming clearer and a reality. The number of service providers will likely be reduced including key players like ourselves.

Attrition due to continuing operating losses which consequently leads to deterioration of working capital, significant commitments to capital expenditures such as plants, equipment and facilities leading to high level of debts (against the backdrop of a competitive market and significant fewer number of works available) or undertaking works with tight profit margins (coupled with weaknesses in project management) resulting in substantial cost overruns have emerged. This has prompted plants and facilities owners to be wary and selective in its award of works.

The Group will continue to rely on its proven business strategies, that it has followed closely to over the last few financial years, of seeking works that yield neutral or positive gross profit contributions and maximising returns of its human and financial resources. This strategy has contributed positively to preserving and strengthening the Group's financial position in a challenging market.

To remain competitive and relevant to our business partners, the Group will continue to review its cost structure and if necessary, streamline its operations. It will also continue invest in equipment that enhanced it operating capabilities or reduces operating cost. This is evident in its investment in the auto welding machine which it undertook in FY2018 and began operations in Q42019.

Malaysia:

We understand that the current contractors at various sites that the Group is designated to take over, are in the process of "winding down" their activities in preparation of handing over to the Group. It is anticipated that this will be completed in March 2020. Further to this, the Group and its Malaysian partner are in the process of novating the master contract award by Petronas dated 1st March 2019 to the joint venture – HIMS Integrated Services Sdn Bhd (where the Group has a 49% shareholding interest). The master contract was awarded jointly to Mun Siong Engineering and a Malaysian partner.

During the interim period, prior to the completion of the above novation, Petronas has awarded the Group work orders to supply manpower to support the current maintenance services.

The Group anticipates that the work awarded from Petronas (including its joint venture partners) will be gradual and will contribute to FY2020 revenue.

On 17 January 2020, the Group entered into a joint venture with a Malaysian individual through the incorporation of a legal entity, Pegasus Advance Engineering Sdn Bhd. The joint venture company which the Group has a 49% interest, will spearhead its marketing effort in Malaysia to industries that requires its core competencies. This is part of its continuing strategy to broaden its reach beyond the petrochemical, oil and gas industries.

Taiwan:

The Group's success in the turnaround project for CPC Corporation (Taiwan) during the current financial year has allowed it to establish its credentials and capabilities in that market. For more information on CPC Corporation (Taiwan) please refer to www.cpc.tw.

Currently, the Group is providing one of its specialised services to a new customer. The Group believes that its array of capabilities will allow it to establish new business relationships resulting in more business opportunities.

North America:

We will continue to seek business opportunities in North America.

Land and Building at 35 Tuas Road:

Jurong Town Corporation ("JTC") has conditionally approved the extension of the current lease (expiring on 2020) for another three more years. However, the Group has yet to receive the formal extension offer from JTC.

The new site that the Group will be seeking will reflect the volume of business that it will be undertaking in Singapore in the coming years.

11. If a decision regarding dividend has been made:—

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

Yes

Proposed final dividend but not recognized as a liability in the current financial year is as follows:

FY2019	
Name of dividend	Final
Dividend type	Cash
Amount	0.04 cent per ordinary share
Tax rate	Tax exempt (one tier)

(b) (i) Amount per share ….. cents

Please refer to item 11(a)

(b) (ii) Previous corresponding period ….. cents

Proposed final dividend but not recognized as a liability in the previous 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)

(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 the 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.

FY2019

(Amount in $'000)	Mechanical engineering	Electrical, instrumentation and others	Total
External revenue	58,829	11,711	70,540
Inter-segment revenue	-	739	739
Total revenue	58,829	12,450	71,279
Interest income	303	74	377
Interest expense	24	-	24
Amortisation of intangible asset	-	-	-
Depreciation of property, plant and equipment	3,078	176	3,254
Reportable segment (loss)/profit before income tax	823	235	1,058
Other material non-cash item:			
Impairment of intangible asset and goodwill	-	-	-
Reportable segment assets	67,384	9,139	76,523
Capital expenditure	3,417	47	3,464
Reportable segment liabilities	19,850	1,345	21,195

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

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

(Amount in $'000)	FY2019	FY2018
Revenue		
Total revenues for reportable segments	71,279	64,405
Elimination of inter-segment revenue	(739)	(1,527)
Consolidated revenue	70,540	62,878
Profit or loss		
Total profit or loss for reportable segments	1,058	(4,374)
Elimination of Intersegment gross profit/(loss)	(235)	790
Unallocated segment profit	46	46
Consolidated profit before income tax	869	(3,538)
Assets		
Total assets for reportable segments	76,523	65,785
Investment properties	1,225	1,225
Others	406	202
Consolidated total assets	78,154	67,212
Liabilities		
Total liabilities for reportable segments	21,195	10,467
Current tax payable	269	176
Others	-	317
Deferred tax liabilities	1,581	1,484
Consolidated total liabilities	23,045	12,444

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 division increased by $2.3 million or 4.1% due to higher volume of job activities in FY2019. The mechanical division registered a profit of $823,000 in FY2019 as compared to an adjusted loss of $2.6 million in FY2018 (Refer to fourth quarter results annoucement dated 21st February 2019). The improvement was due to more job activities, controlling of costs and higher margin earned from certain jobs.

Revenue from the electrical, instrumentation and other segment increased by $4.6 million or 58.0%. The increase was due to more job activities in FY2019. Segment profit also declined slightly by $66,000 or 21.9%. To remain competitive, this divison had to reduce its pricing for certain projects. Segment profit margin declined from 3.8% (FY2018) to 1.9% (FY2019).

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

16. A breakdown of sales as follows:

	FY2019 $'000	FY2018 $'000	Change (%)
Sales for first half year	25,854	27,734	(6.8)
Operating profit after tax due to owners of Company for first half year	(601)	(725)	(17.1)
Sales for second half year	44,686	35,144	27.2
Operating profit after tax due to owners of Company for second half year	1,102	(3,042)	(136.2)

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

	FY2019 $'000	FY2018 $'000
Cash dividends paid during the financial year		
2018 final one-tier tax exempt dividend of 0.03 cents per share paid (FY2017: 0.18 cents per share)	174	1,043
Total	174	1,043
Cash dividends proposed but not recognised as a liability as at the end of the financial year		
2019 proposed final one-tier tax exempt dividend of 0.04 cents per share (FY2018: 0.03 cents per share)	232	174
	(Refer to Note)	

Note: Proposed cash dividend for FY2019 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 2020. 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	62	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	35	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

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 2018	1st Qtr 2019	2nd Qtr 2019	3rd Qtr 2019	4th Qtr 2019		
To establish a regional presence	**4,000**	-	(1,914)	(9)	(3)	(922)	(1,152)	**(4,000)**	-
To establish an engineering design centre and upgrade of existing database management system	**1,000**	-	(674)	-	-	(326)	-	**(1,000)**	-
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**	**-**	(16,488)	(9)	(3)	(1,248)	(1,152)	**(18,900)**	**-**

The Group had provided working capital funds of $1,152,000 to support the Taiwan Branch operations.

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

BY ORDER OF THE BOARD

CHENG WOEI FEN
EXECUTIVE CHAIRLADY

20 February 2020