MUN SIONG ENGINEERING LIMITED

THIRD QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

THIRD QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 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 30 Sept			YTD ended 30 Sept		
	3Q 2019	3Q 2018	Incr / (Decr)	9MTH 2019	9MTH 2018	Incr / (Decr)
	$'000	$'000	%	$'000	$'000	%
Revenue	18,072	22,257	(18.8)	43,925	49,991	(12.1)
Cost of sales	(16,837)	(21,007)	(19.9)	(41,270)	(47,502)	(13.1)
Gross profit	1,235	1,250	(1.2)	2,655	2,489	6.7
Other income and recoveries	616	154	300.0	1,184	715	65.6
Administrative expenses	(1,509)	(1,455)	3.7	(4,342)	(4,509)	(3.7)
Other operating expenses	231	28	725.0	143	250	(42.8)
Results from operating activities	573	(23)	2,591.3	(360)	(1,055)	(65.9)
Finance income	79	117	(32.5)	297	336	(11.6)
Finance expenses	(11)	(5)	120.0	(32)	(16)	100.0
Profit / (Loss) before income tax	641	89	620.2	(95)	(735)	(87.1)
Income tax credit /(expense)	(151)	(249)	(39.4)	(17)	(152)	(88.8)
Profit / (Loss) after income tax	**490**	**(160)**	406.3	**(112)**	**(887)**	(87.4)
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
Foreign currency translation difference from foreign operations	(1)	(1)	-	(2)	(5)	(60.0)
Total comprehensive income / (loss)	**489**	**(161)**	403.7	**(114)**	**(892)**	(87.2)
Profit / (Loss) attributable to:						
Owners of the Company	**489**	**(160)**	405.6	**(112)**	**(886)**	(87.4)
Non-controlling interest	**1**	**-**	NM	**-**	**(1)**	(100.0)
	490	**(160)**	406.3	**(112)**	**(887)**	(87.4)
Total comprehensive income / (loss) attributable to:						
Owners of the Company	**489**	**(162)**	401.9	**(113)**	**(892)**	(87.3)
Non-controlling interest	**-**	**1**	(100.0)	**(1)**	**-**	NM
	489	**(161)**	403.7	**(114)**	**(892)**	(87.2)

NM: Not meaningful

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

	Group			Group		
	Qtr ended 30 Sept			YTD ended 30 Sept		
	3Q 2019	3Q 2018	Incr / (Decr)	9MTH 2019	9MTH 2018	Incr / (Decr)
	$'000	$'000	%	$'000	$'000	%
Depreciation	835	695	20.1	2,430	2,537	(4.2)
Amortisation of intangible asset	-	37	(100.0)	-	111	(100.0)
Net (gain) / loss on disposal of property, plant and equipment	(6)	(1)	500.0	(77)	(2)	3,750.0
Share-based compensation expense	-	-	-	38	-	NM
Net foreign exchange loss /(gain)	(231)	(28)	725.0	(143)	(247)	(42.1)
Finance (income)/expenses:						
Interest income	(79)	(116)	(31.9)	(297)	(336)	(11.6)
Interest on borrowings	-	-	-	2	2	-
Interest on lease liabilities	6	-	-	16	-	NM
Unwinding of discount on site restoration provision	5	5	-	14	14	-

NM: not meaningful

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
	30 Sept' 19	31 Dec'18		30 Sept' 19	31 Dec'18	
	$'000	$'000	%	$'000	$'000	%
Non-current assets						
Property, plant and equipment	14,517	13,347	8.8	14,427	13,367	7.9
Rights of Use assets	511	-	NM	511	-	NM
Investment properties	1,225	1,225	-	1,225	1,225	-
Investment in Subsidiaries	-	-	-	3,497	2,580	35.5
Total non-current assets	**16,253**	**14,572**	11.5	**19,660**	**17,172**	14.5
Current assets						
Inventories	457	351	30.2	457	351	30.2
Contract assets	13,074	10,059	30.0	12,713	9,277	37.0
Trade and other receivables	12,129	15,681	(22.7)	12,310	15,622	(21.2)
Cash and cash equivalents	26,382	26,549	(0.6)	22,351	20,777	7.6
Total current assets	52,042	52,640	(1.1)	47,831	46,027	3.9
Total assets	**68,295**	**67,212**	1.6	**67,491**	**63,199**	6.8
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	(4)	(2)	(100.0)	-	-	-
Retained earnings	28,393	28,704	(1.1)	24,185	24,344	(0.7)
Total equity attributable to owners of the Company	**54,488**	**54,763**	(0.5)	**50,284**	**50,405**	(0.2)
Non-controlling interest	6	5	20.0	-	-	-
Total equity	**54,494**	**54,768**	(0.5)	**50,284**	**50,405**	(0.2)
Non-current liabilities						
Loans and borrowings	67	81	(17.3)	67	81	(17.3)
Provision for restoration costs	369	355	3.9	369	355	3.9
Lease liabilities	177	-	NM	177	-	NM
Deferred tax liabilities	1,500	1,484	1.1	1,500	1,484	1.1
Total non-current liabilities	2,113	1,920	10.1	2,113	1,920	10.1
Current liabilities						
Trade and other payables	11,245	10,247	9.7	14,649	10,773	36.0
Contract liabilities	78	82	(4.9)	78	82	(4.9)
Loans and borrowings	19	19	-	19	19	-
Lease liabilities	348	-	NM	348	-	NM
Current tax payable /(recoverable)	(2)	176	(101.1)	-	-	-
Total current liabilities	11,688	10,524	11.1	15,094	10,874	38.8
Total liabilities	**13,801**	**12,444**	10.9	**17,207**	**12,794**	34.5
Total equity and liabilities	**68,295**	**67,212**	1.6	**67,491**	**63,199**	6.8

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

30 Sept 2019		31 December 2018	
Secured	Unsecured	Secured	Unsecured
$'000	$'000	$'000	$'000
19	-	19	-

Amount repayable after one year

30 Sept 2019		31 December 2018	
Secured	Unsecured	Secured	Unsecured
$'000	$'000	$'000	$'000
67	-	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 $0.5 million which are secured over the rights 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	
	3Q 2019	3Q 2018	9MTH 2019	9MTH 2018
Cash flows from operating activities	**$'000**	**$'000**	**$'000**	**$'000**
Profit / (Loss) before income tax	641	89	(95)	(735)
Adjustments for:				
Depreciation	835	695	2,430	2,537
Interest expense	6	-	18	2
Share based compensation	-	-	38	-
Amortisation of intangible asset	-	37	-	111
Unwinding of discount on site restoration provision	5	5	14	14
Interest income	(79)	(116)	(297)	(336)
Net (gain) / loss on disposal of property, plant and equipment	(6)	(1)	(77)	(2)
Operating cash flow before working capital changes	1,403	709	2,031	1,591
Changes in inventories	(91)	970	(106)	253
Changes in contract assets	(2,415)	(2,991)	(3,013)	(7,102)
Changes in trade and other receivables (Note 1)	(1,445)	(7,240)	1,314	(8,038)
Changes in trade and other payables	2,859	1,601	998	1,456
Changes in contract liabilities	78	-	(4)	-
Cash (used in)/generated from operating activities	390	(6,951)	1,219	(11,840)
Income tax (paid) / refund	(47)	(123)	(179)	(297)
Net cash (used in)/generated from operating activities	**343**	**(7,074)**	**1,040**	**(12,137)**
Cash flows from investing activities				
Interest received	79	116	297	336
Proceeds from disposal of property, plant and equipment	7	65	175	75
Acquisition of property, plant and equipment	(784)	(166)	(1,145)	(1,621)
Net cash (used in)/generated from investing activities	**(699)**	**15**	**(673)**	**(1,210)**
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)	(14)	(14)
Payment of lease liabilities	(108)	-	(327)	-
Interest paid	(6)	-	(18)	(2)
Net cash (used in)/generated from financing activities	**(119)**	**(5)**	**(532)**	**(1,128)**
Net (decrease)/increase in cash and cash equivalents	**(475)**	**(7,064)**	**(165)**	**(14,475)**
Cash and cash equivalents at beginning of period	26,858	28,238	26,549	35,648
Effect of exchange rate fluctuations on cash held	(1)	(3)	(2)	(2)
Cash and cash equivalents at end of period	**26,382**	**21,171**	**26,382**	**21,171**

** 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**
(Loss)/Profit for the year	-	-	-		(112)	(112)	-	(112)
Other comprehensive income /(loss) for the year				(2)	-	(2)	1	(1)
Total comprehensive income /(loss) for the year	-	-	-	(2)	(112)	(114)	1	(113)
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 30 Sept 2019	**26,254**	**(138)**	**(17)**	**(4)**	**28,393**	**54,488**	**6**	**54,494**
2018								
Beginning of financial year	26,254	(118)	-	2	33,513	59,651	-	59,651
(Loss)/Profit for the year	-	-	-		(886)	(886)	(1)	(887)
Other comprehensive income /(loss) for the year	-	-	-	(6)	-	(6)	1	(5)
Total comprehensive income for the year	-	-	-	(6)	(886)	(892)	-	(892)
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 30 Sept 2018	**26,254**	**(193)**	**-**	**(4)**	**31,584**	**57,641**	**6**	**57,647**

	Share capital	Treasury shares	Share based Compensation reserve	Retained earnings	Total
2019	**$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**
(Loss)/Profit for the year	-	-	-	40	40
Total comprehensive income for the year	-	-	-	40	40
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 30 Sept 2019	**26,254**	**(138)**	**(17)**	**24,185**	**50,284**
2018					
Beginning of financial year	26,254	(118)	-	22,969	49,105
(Loss)/Profit for the year	-	-	-	(1,114)	(1,114)
Total comprehensive income for the year	-	-	-	(1,114)	(1,114)
Dividends paid	-			(1,043)	(1,043)
Purchase of treasury shares	-	(75)	-	-	(75)
Total transactions with owners, recognised directly in equity	-	(75)	-	(1,043)	(1,118)
As at 30 Sept 2018	**26,254**	**(193)**	**-**	**20,812**	**46,873**

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.

There was no change in the Company's issued and paid up capital from 1 January 2019 to 30 September 2019.

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 period, the total number of treasury shares held is 2,022,000 shares.

	As at 30 Sept 2019	As at 30 Sept 2018
Issued and paid-up shares		
As at beginning and end of the period	581,546,400	581,546,400
Treasury shares		
As at beginning of the period	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 period	2,022,000	2,822,000
Total number of issued shares excluding treasury shares as at the end of the period	**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 30 Sept 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.

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	
	3Q 2019	3Q 2018	9 MTH 2019	9MTH 2018
EPS (based on consolidated net (loss) /profit				
- on weighted average number of ordinary shares in issue (cents)	0.08	(0.03)	(0.02)	(0.15)
- on fully diluted basis (cents)	0.08	(0.03)	(0.02)	(0.15)
Weighted average number of shares in issue during the period used in computing basic EPS	579,524,400	578,724,400	578,994,988	579,213,047
Weighted average number of shares in issue during the period used in computing diluted EPS	579,524,400	578,724,400	578,994,988	579,213,047

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	
	30 Sept 2019	31 Dec 2018	30 Sept 2019	31 Dec 2018
Net asset value per ordinary share based on existing issued share capital as at the respective dates (cents)	9.40	9.46	8.68	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

3Q 2019 versus 3Q 2018

Although there were more projects and maintenance jobs in the current quarter, the value amount of these projects and jobs were significantly lower as compared to the corresponding period. Revenue declined by $4.2 million or 18.8% to $18.1 million.

The cost of sales declined by $4.2 million or 19.9% which is relatively in line with the drop in revenue.

There was a marginal decline in gross profit of $15,000 or 1.2% despite a lower revenue being reported (18.8% lower revenue). On the other hand, a higher gross profit margin of 6.8% (3Q2018: 5.6%) was achieved in the current quarter. The higher gross profit margin achieved was due to the Group continuing effort to deploy its work force more effectively and reducing reliance on sub-contracting costs.

9M 2019 versus 9M 2018

Revenue declined by $6.1 million or 12.1% due to (i) the projects and maintenance jobs in the current period were of lower value amount as compared to previous period and (ii) continued adherence to undertake projects that will yield neutral or positive gross profit margins.

Cost of sales declined by $6.2 million or 13.1% which is in line with the decline in revenue.

Gross Profit improved by $166,000 or 6.7% to $2.7 million for the current period. There was also an improvement in gross profit margin from 5.0% (9M2018) to 6.0% (9M2019).

(i) Other income and recoveries

In the current quarter, other income and recoveries increased by $462,000 or 300%. The increase was mainly due to higher income received from the sale of scrap (increased by $224,000), recoveries of medical costs from our insurer (increased by $101,000) and receipt of Government Grants (increased by $117,000) for certain approved qualifying projects.

On an overall basis, other income and recoveries increased by $469,000 or 65.6% in which the bulk of the income was derived from 3Q2019.

(ii) Administrative expenses

Administration expenses increased marginally by $54,000 or 3.7% in the current quarter.
On an overall basis, administration expenses declined by $167,000 or 3.7%. The decline was mainly due to lower staff costs (lower headcount in current period).

(iii) Other operating expenses

Other operating expenses consist mainly of foreign exchange gain and losses. We incurred a higher exchange gain in current quarter, due to the weakening of Singapore dollars against the USD dollar, as compared to the corresponding quarter.

We incurred a lower exchange gain of $143,000 (a decline of $107,000 or 42.8%) in the current period due to the Group holding less USD denominated cash amount.

(iv) Finance income

A lower finance income was due to lower interest rates and less cash available for deposits placement in the current quarter and period.

(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 credit / (expense)

We made additional deferred tax liability provision in the current quarter which reduces the write backs made in previous two quarters. As a result of this net impact, the deferred tax liability provision for current period was $17,000.

The decline in tax provision from $152,000 (9M2018) to $17,000 (9M2019) was due to lower tax provisions made in current period.

(vii) Current year performance

The Group achieved a profit before taxation of $641,000 in current quarter as compared to a profit before taxation of $89,000 in the corresponding quarter. For 3Q2019, the Group generated a positive EBITDA of $1.5 million as compared to Q32018 of $824,000.

The Group ended the current period with losses before taxation of $95,000. This is an improvement from previous period in which the Group incurred losses before taxation of $735,000. The Group generated a positive EBITDA of $2.4 million for the current period as compared to $1.9 million for the previous period.

However, it should be noted that 9M2019 losses before taxation includes other income of $1.2 million (arising from sale of scraps, grants and reimbursement of medical costs) and finance income of $0.3 million. If both items were excluded, the losses before taxation would have been $1.6 million. Likewise, 9M2018 the losses before taxation would have been $1.8 million, excluding other income of $0.7 million (wage credit scheme, medical insurance claims and sale of scrap) and finance income of $0.3 million. Comparing 9M2019 ($1.6 million) against 9M2018 ($1.8 million), the losses before taxation have narrowed by 11.1%.

Notes to statements of financial position

Group and Company

(i) Property, plant and equipment (increased by $1.2 million)

The increase was due to additions of $3.6 million offset by depreciation costs of $2.4 million.

(ii) Right-of-Use assets (increased by $0.5 million)

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

(iii) Subsidiaries (increased by $0.9 million)

The increase is due to working capital funds of $0.6 million (including initial capital) extended to Taiwan Branch office to support its operations and the increase in share capital of $0.3 million to our wholly owned Malaysia subsidiary.

(iv) Contract Assets (increased by $3.0 million)

The increase is due to ongoing jobs that are yet to be completed or final billing amount yet to be agreed by customers as compared to 31 December 2018.

(v) Trade and other receivables (decreased by $3.6 million)

The decrease was mainly due to collections from customers. Beside this, there was a pre-payment of $2.2 million made for the purchase of certain fixed asset. The Group has taken delivery of the said fixed asset, the amount reclassified to fixed assets (additions).

Trade receivables turnover was: 62 days as at 30 September 2019, 68 days as at 31 December 2018 and 72 days as at 30 September 2018. As at 31 October 2019, the Group realised $4.8 million or approximately 48% of its outstanding trade receivables as at 30 September 2019.

(vi) Lease liabilities (increased by $0.2 million in non-current liabilities and $0.3 million in current liabilities)

Lease liabilities increased by $0.5 million, due to the recognition of lease liabilities on the balance sheet following the adoption of SFRS(I) 16 Leases.

(vii) Trade and other payables (increased by $1.0 million)

The increase is to higher job activities in 3Q2019 and timing of payments to suppliers.

(viii) 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.

(ix) 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 $26.4 million as at 30 September 2019. A slight decrease of $0.1 million from $26.5 million as at 31 December 2018.

The net cash of $1.0 million generated from operating activities was offset by use of funds in investing ($0.6 million) and financing activities ($0.5 million).

Net Working capital (current assets less current liabilities): $40.4 million as at 30 September 2019, $42.1 million as at 31 December 2018 and $43.1 million as at 30 September 2018.

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.

Business strategy:

The Group recognized that the Singapore petrochemical and refining industries (currently our main revenue and income generators) are dominated by a small number of dominant players, in which a number of whom are the Group's key business partners for a number of decades. They have entrusted the Group with maintenance contracts and critical upgrading contracts for their plants and facilities in Singapore. In recent years, the Group has expanded its range of services (eg tankage works and specialized services) as part of our continuing effort to improve our value-added services to our customers.

The working experiences that the Group has accumulated with these dominant players (whom are also dominant global players) over the past few decades have allowed it to accumulate valuable operating expertise. In the large part of FY 2019, the Group has been active in its drive to achieve its footprint in overseas markets. Much of these efforts were initiated since FY2016 and has gained success in Malaysia and Taiwan. During the process, business relationships with dominant players in overseas markets were established.

The Group has set its sight to widen its reach to more markets, both local and overseas, going beyond the petrochemical and refining industries that it currently serves and increasing its portfolio of business partners and customers. Its drive to diversify will be disciplined – ensuring that its risk profile will not be overly alleviated (as evident when it aborted its North America joint venture) and prudent management of financial and human resources.

Singapore:

The continuing trade tensions between the two major global economies, North America and China, continue to weigh down on their own economies as well as those of their major trading partners.

Our customers have since taken a cautious stance towards their capital expenditure and many projects that were anticipated were either deferred (temporarily or permanently) or cancelled.

The Group foresees that the number of service providers providing maintenance services to the petrochemical plants and refineries will be reduced. Attrition will be due to continued operating losses which consequently leads to deterioration of working capital, high commitment to capital expenditure such as plants, equipment and facilities which will lead to high debt gearing ratio and weaknesses in project management or undertaking jobs with extremely tight profit margins which will result in huge cost overruns. The Group has maintained a tight reign over its financial management and project executions. The attrition of the other service providers will gradually benefit the Group.

The Group will continue to seek jobs that yield neutral or positive gross profit contributions. To remain competitive in challenging times, it has continuously been reviewing its cost structures. In the coming year, a professional firm will be engaged, to undertake a review of its major operating cost components and recommendations will be made to management towards reorganizing and streamlining our existing cost structures.

Malaysia:

In the first quarter of 2019, the Group made its first major foray into Malaysia. Together with a Malaysian partner, it has been awarded a 10 years' service contract (initial 5 years with the option for further extension of another 5 years) by Petroliam Nasional Berhad ("Petronas") (https://www.petronas.com).

A joint venture company, HIMS Integrated Services Sdn Bhd ("HIMS"), will be incorporated in Malaysia to undertake the above awarded contract. The Company's equity interest in HIMS will be 49.0%, a condition imposed under the awarded contract with Petronas.

The initial capitalization of HIMS will be RM 1.0 million and the capitalization may be further increase depending on working capital requirements or further conditions imposed by Petronas.

The Company together with its Malaysian partner have been working closely with Petronas to satisfy certain conditions precedents arising from the contract award and making preparations (recruitment and setting up of offices and workshop) to be operationally ready.

We would expect contributions from our Malaysia operations to the Group's financial performance in FY2020.

The Group will continue to seek business opportunities in Malaysia. This will include working with Malaysian companies who see value in the Group's operating capabilities.

Please refer to our announcement dated 23 August 2019 and 6 September 2019.

Taiwan:

In June 2019, the Group made its first maiden entry into Taiwan. CPC Corporation (https://en.cpc.com.tw) awarded an integrated turnaround contract to the Group. Execution of this contract commenced towards the end of 3Q2019 and is expected to be significantly completed in 4Q2019.

North America:

The Group has recently aborted its proposed joint venture in North America. It was not agreeable to assume the financial liabilities of its intended joint venture partner (including his operating entities).

It will continue to seek other business opportunities in North America.

Please refer to our announcement dated 7 October 2019 and 4 November 2019.

Land and Building at 35 Tuas Road:

Jurong Town Corporation ("JTC") has verbally agreed to extend the current lease (expiring on 2020) for another three more years. However, the Group has yet to receive a written confirmation from JTC on this extension nor review the terms and conditions for this extension.

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

No interim dividend for the third quarter ended 30 September 2019 is recommended.

(b) (i) Amount per share ….. cents

Not applicable.

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

Not applicable.

(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).

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(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.

Not applicable.

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

No dividend has been declared or recommended in line with previous financial year practice that proposed dividends are declared on a full financial year basis.

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. 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		
To establish a regional presence	**4,000**	-	(1,914)	(9)	(3)	(922)	**(2,848)**	**1,152**
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)	**(17,748)**	**1,152**

The Group had utilised the funds of $922,000 as follows:

(i) Injection of funds of $248,000 to increase the share capital of our wholly owned Malaysia Subsidiary; and

(ii) Working capital funds (including initial capital) of $669,000 to support the Taiwan Branch operations.

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

15. Negative 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 30 September 2019 to be false or misleading in any material respect.

16. Confirmation of undertakings from Directors and Executive Officers pursuant to 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.

BY ORDER OF THE BOARD

CHENG WOEI FEN
EXECUTIVE CHAIRLADY

8 November 2019