



MUN SIONG ENGINEERING LIMITED

HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD
ENDED 30 JUNE 2020



MUN SIONG ENGINEERING LIMITED

(Incorporated in the Republic of Singapore)

(Company registration number: 196900250M)

Contents

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.....	5
1(a)(ii)	The statement of comprehensive income is arrived after charging/(crediting) the following:	6
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.....	7
1(b)(ii)	Aggregate amount of Group's borrowings and debt securities.....	8
1(c)	A cash flow statement (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year	9
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.....	10
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.	11
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.....	11
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.....	12
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.....	12
2.	Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.....	12



MUN SIONG ENGINEERING LIMITED

(Incorporated in the Republic of Singapore)

(Company registration number: 196900250M)

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter)..... 12
- 3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:— 12
 - a. Updates on the efforts taken to resolve each outstanding audit issue..... 12
 - b. Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed..... 12

(This is not required for any audit issue that is a material uncertainty relating to going concern.)..... 12
- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied. 12
- 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. 12
- 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. 13
- 7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares..... 13
 - (a) current financial period reported on; and 13
 - (b) immediately preceding financial year..... 13
- 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:- 13
 - (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 13
 - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on..... 13
- 9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results. 18



MUN SIONG ENGINEERING LIMITED

(Incorporated in the Republic of Singapore)

(Company registration number: 196900250M)

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.....	18
11.	If a decision regarding dividend has been made:—	20
	(a) Whether an interim (final) ordinary dividend has been declared (recommended); and	20
	(b) (i) Amount per share cents.....	20
	(b) (ii) Previous corresponding period cents.....	20
	(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).	21
	(d) The date the dividend is payable.....	21
	(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.	21
12.	If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.	21
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.....	21
14.	Negative confirmation pursuant to Rule 705(5).	21
15.	Confirmation of undertakings from Directors and Executive Officers pursuant to Rule 720(1).....	21



MUN SIONG ENGINEERING LIMITED

(Incorporated in the Republic of Singapore)

(Company registration number: 196900250M)

HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2020

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		
	YTD ended 30 June		Incr / (Decr)
	6MTH 2020	6MTH 2019	
	\$'000	\$'000	%
Revenue	22,122	25,854	(14.4)
Cost of sales	(21,116)	(24,432)	(13.6)
Gross profit	1,006	1,422	(29.3)
Other income and recoveries	320	568	(43.7)
Administrative expenses	(3,070)	(2,834)	8.3
Other operating income /(expenses)	440	(88)	600.0
Share of results of associate	2	-	NM
Results from operating activities	(1,302)	(932)	39.7
Finance income	119	218	(45.4)
Finance expenses	(16)	(21)	(23.8)
Profit / (Loss) before income tax	(1,199)	(735)	63.1
Income tax credit /(expense)	(125)	134	193.3
Profit / (Loss) after income tax	(1,324)	(601)	120.3
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation difference from foreign operations	60	(1)	NM
Total comprehensive income / (loss)	(1,264)	(602)	110.0
Profit / (Loss) attributable to:			
Owners of the Company	(1,315)	(600)	119.2
Non-controlling interest	(9)	(1)	NM
	(1,324)	(601)	120.3
Total comprehensive income / (loss) attributable to:			
Owners of the Company	(1,255)	(601)	108.8
Non-controlling interest	(9)	(1)	NM
	(1,264)	(602)	110.0

NM: Not meaningful

**MUN SIONG ENGINEERING LIMITED**

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(Company registration number: 196900250M)

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

	Group		
	YTD ended 30 June		Incr / (Decr)
	6MTH 2020	6MTH 2019	
	\$'000	\$'000	%
Depreciation	2,021	1,595	26.7
Net (gain) / loss on disposal of property, plant and equipment	(1)	(71)	(98.6)
Share-based compensation expense	38	38	-
Write back provision for doubtful debt	(155)	-	NM
Net foreign exchange loss /(gain)	(440)	88	(600.0)
Finance (income)/expenses:			
Interest income	(119)	(218)	(45.4)
Interest on borrowings	2	2	-
Interest on lease liabilities	8	10	(20.0)
Unwinding of discount on site restoration provision	6	9	(33.3)

NM: not meaningful



MUN SIONG ENGINEERING LIMITED

(Incorporated in the Republic of Singapore)

(Company registration number: 196900250M)

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 %
	30 June' 20 \$'000	31 Dec'19 \$'000		30 June' 20 \$'000	31 Dec'19 \$'000	
Non-current assets						
Property, plant and equipment	12,998	13,870	(6.3)	12,877	13,897	(7.3)
Right of Use assets	421	406	3.7	421	406	3.7
Investment properties	1,225	1,225	-	1,225	1,225	-
Investment in an associate	241	-	NM	241	-	NM
Investment in subsidiaries	-	-	-	2,828	2,828	-
Total non-current assets	14,885	15,501	(4.0)	17,592	18,356	(4.2)
Current assets						
Inventories	242	242	-	242	242	-
Contract assets	7,471	16,228	(54.0)	7,187	16,052	(55.2)
Trade and other receivables	10,662	18,820	(43.3)	11,422	18,839	(39.4)
Financial asset at FVTPL (Note 2)	994	-	NM	994	-	NM
Cash and cash equivalents	37,292	27,363	36.3	34,349	24,999	37.4
Total current assets	56,661	62,653	(9.6)	54,194	60,132	(9.9)
Total assets	71,546	78,154	(8.5)	71,786	78,488	(8.5)
Equity attributable to equity holders of the Company						
Share capital	26,254	26,254	-	26,254	26,254	-
Treasury shares	(83)	(138)	39.9	(83)	(138)	39.9
Share based payment reserve	(34)	(17)	(100.0)	(34)	(17)	(100.0)
Translation reserve	59	(1)	NM	64	4	NM
Retained earnings	27,686	29,001	(4.5)	27,179	28,695	(5.3)
Total equity attributable to owners of the Company	53,882	55,099	(2.2)	53,380	54,798	(2.6)
Non-controlling interest	1	10	(90.0)	-	-	-
Total equity	53,883	55,109	(2.2)	53,380	54,798	(2.6)
Non-current liabilities						
Loans and borrowings	53	62	(14.5)	53	62	(14.5)
Provision for restoration costs	380	374	1.6	380	374	1.6
Lease liabilities	214	117	82.9	214	117	82.9
Deferred tax liabilities	1,581	1,581	-	1,581	1,581	-
Total non-current liabilities	2,228	2,134	4.4	2,228	2,134	4.4
Current liabilities						
Trade and other payables	14,527	20,180	(28.0)	15,293	20,830	(26.6)
Contract liabilities	382	144	165.3	382	144	165.3
Loans and borrowings	19	19	-	19	19	-
Lease liabilities	177	299	(40.8)	177	299	(40.8)
Tax payable	330	269	22.7	307	264	16.3
Total current liabilities	15,435	20,911	(26.2)	16,178	21,556	(24.9)
Total liabilities	17,663	23,045	(23.4)	18,406	23,690	(22.3)
Total equity and liabilities	71,546	78,154	(8.5)	71,786	78,488	(8.5)

NM: Not meaningful

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

Note 2: Fair Value Through Profit and Loss (FVTPL)

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(Company registration number: 196900250M)

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

Amount repayable in one year or less, or on demand			
30 June 2020		31 December 2019	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
19	-	19	-
Amount repayable after one year			
30 June 2020		31 December 2019	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
53	-	62	-

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 rights of use assets.

**MUN SIONG ENGINEERING LIMITED**

(Incorporated in the Republic of Singapore)

(Company registration number: 196900250M)

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	
	6MTH 2020	6MTH 2019
	\$'000	\$'000
Cash flows from operating activities		
Profit / (Loss) before income tax	(1,199)	(735)
Adjustments for:		
Depreciation	2,021	1,595
Interest expense	10	12
Share based compensation	38	38
Unwinding of discount on site restoration provision	6	9
Interest income	(119)	(218)
Net (gain) / loss on disposal of property, plant and equipment	(1)	(71)
Share of results of associate	(2)	-
Operating cash flow before working capital changes	753	630
Changes in inventories	-	(15)
Changes in contract assets	8,757	(599)
Changes in trade and other receivables	7,999	2,758
Changes in financial assets, at fair value through profit and loss	(994)	-
Changes in trade and other payables	(5,651)	(1,862)
Changes in contract liabilities	238	(82)
Cash (used in)/generated from operating activities	11,102	830
Income tax (paid) / refund	(64)	(132)
Net cash (used in)/generated from operating activities	11,038	698
Cash flows from investing activities		
Interest received	119	218
Investment in associates	(82)	-
Proceeds from disposal of property, plant and equipment	1	169
Acquisition of property, plant and equipment	(915)	(361)
Net cash (used in)/generated from investing activities	(877)	26
Cash flows from financing activities		
Dividends paid	-	(174)
Repayment of borrowings	(9)	(9)
Payment of lease liabilities	(275)	(218)
Interest paid	(10)	(12)
Net cash (used in)/generated from financing activities	(294)	(413)
Net (decrease)/increase in cash and cash equivalents	9,868	311
Cash and cash equivalents at beginning of period	27,363	26,549
Effect of exchange rate fluctuations on cash held	62	(1)
Cash and cash equivalents at end of period	37,292	26,859



MUN SIONG ENGINEERING LIMITED

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(Company registration number: 196900250M)

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 interest	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2020								
The Group								
Beginning of financial year	26,254	(138)	(17)	(1)	29,001	55,099	10	55,109
(Loss)/Profit for the year	-	-	-	-	(1,315)	(1,315)	(9)	(1,324)
Other comprehensive income/(loss) for the year	-	-	-	60	-	60	-	60
Total comprehensive income/(loss) for the year	-	-	-	60	(1,315)	(1,255)	(9)	(1,264)
Grant of performance shares to employee	-	55	(17)	-	-	38	-	38
Dividends paid	-	-	-	-	-	-	-	-
Total transactions with owners, recognised directly in equity	-	55	(17)	-	-	38	-	38
As at 30 June 2020	26,254	(83)	(34)	59	27,686	53,882	1	53,883
2019								
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 balances	26,254	(193)	-	(2)	28,679	54,738	5	54,743
(Loss)/Profit for the year	-	-	-	-	(600)	(600)	(1)	(601)
Other comprehensive income/(loss) for the year	-	-	-	(1)	-	(1)	-	(1)
Total comprehensive income/(loss) for the year	-	-	-	(1)	(600)	(601)	(1)	(602)
Dividends paid	-	-	-	-	(174)	(174)	-	(174)
Grant of performance shares to employee	-	55	(17)	-	-	38	-	38
Total transactions with owners, recognised directly in equity	-	55	(17)	-	(174)	(136)	-	(136)
As at 30 June 2019	26,254	(138)	(17)	(3)	27,905	54,001	4	54,005
The Company								
Beginning of financial year	26,254	(138)	(17)	4	28,695	54,798	-	54,798
(Loss)/Profit for the year	-	-	-	-	(1,516)	(1,516)	-	(1,516)
Total comprehensive income/(loss) for the year	-	-	-	-	(1,516)	(1,516)	-	(1,516)
Dividends paid	-	-	-	-	-	-	-	-
Grant of performance shares to employee	-	55	(17)	60	-	98	-	98
Total transactions with owners, recognised directly in equity	-	55	(17)	60	-	98	-	98
As at 30 June 2020	26,254	(83)	(34)	64	27,179	53,380		
2019								
Beginning of financial year	26,254	(193)	-	-	24,344	50,405	-	50,405
Effects on adoption of SFRS (I) 16	-	-	-	-	(25)	(25)	-	(25)
Adjusted balances	26,254	(193)	-	-	24,319	50,380	-	50,380
(Loss)/Profit for the year	-	-	-	-	(589)	(589)	-	(589)
Total comprehensive income/(loss) for the year	-	-	-	-	(589)	(589)	-	(589)
Dividends paid	-	-	-	-	(174)	(174)	-	(174)
Grant of performance shares to employee	-	55	(17)	-	-	38	-	38
Total transactions with owners, recognised directly in equity	-	55	(17)	-	(174)	(136)	-	(136)
As at 30 June 2019	26,254	(138)	(17)	-	23,556	49,655		

**MUN SIONG ENGINEERING LIMITED**

(Incorporated in the Republic of Singapore)

(Company registration number: 196900250M)

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 2020 to 30 June 2020.

The Company did not purchase any shares during the year. A total of 800,000 treasury shares were reissued pursuant to MSE Performance Share Plan. At the end of the period, the total number of treasury shares held is 1,222,000 shares.

	As at 30 June 2020	As at 30 June 2019
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	2,022,000	2,822,000
Purchase of treasury shares	-	-
Reissuance of treasury shares pursuant to share plan	(800,000)	(800,000)
As at end of the period	1,222,000	2,022,000
Total number of issued shares excluding treasury shares as at the end of the period	580,324,400	579,524,400

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 June 2020	As at 31 Dec 2019
Total number of shares	581,546,400	581,546,400
Less: Treasury shares	1,222,000	2,022,000
Total number of issued shares excluding treasury shares	580,324,400	579,524,400



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(Incorporated in the Republic of Singapore)

(Company registration number: 196900250M)

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. Updates 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 as compared to the audited financial statements as at 31 December 2019.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted the following SFRS(I)s amendments to the current financial year:

- Amendments to References to Conceptual Framework in SFRS(I) Standards
- Definition of a Business (Amendments to SFRS(I) 3)
- Interest Rate Benchmark Reform (Amendments to SFRS(I) 7 and SFRS(I) 9)
- Definition of Material (Amendments to SFRS(I) 1-1 and SFRS(I) 1-8)

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The adoption of the above amendments to the 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	
	6 MTH 2020	6MTH 2019
EPS (based on consolidated net (loss) /profit		
- on weighted average number of ordinary shares in issue (cents)	(0.23)	(0.10)
- on fully diluted basis (cents)	(0.23)	(0.10)
Weighted average number of shares in issue during the period used in computing basic EPS	579,524,400	578,724,400
Weighted average number of shares in issue during the period used in computing diluted EPS	579,524,400	578,724,400

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 June 2020	31 Dec 2019	30 June 2020	31 Dec 2019
Net asset value per ordinary share based on existing issued share capital as at the respective dates (cents)	9.28	9.51	9.20	9.46
Number of shares (issued and issuable) used in computing net asset value per ordinary share	580,324,400	579,524,400	580,324,400	579,524,400

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.



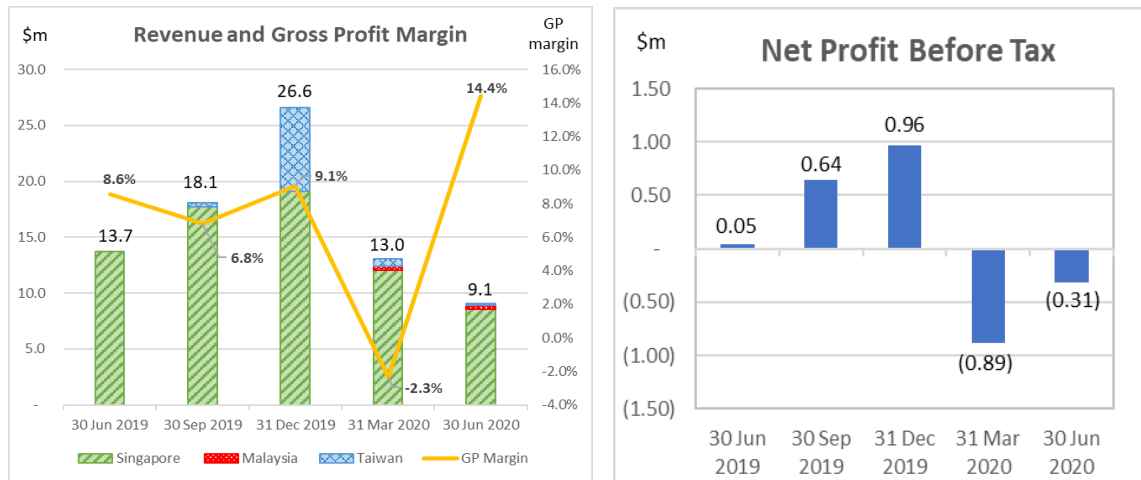
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Consolidated statement of comprehensive income

Revenue and profitability



6M 2020 versus 6M 2019

The Group recorded a revenue of \$22.1 million for the first six months of FY2020, a decline of \$3.7 million or 14.4% against the corresponding period.

The Taiwan and Malaysia operations, which the Group recently established, recorded a total revenue of \$1.5 million for the current period. The Singapore operations registered a decline of \$5.2 million or 20.2%, achieving a revenue of \$20.6 million for the first half of the year.

The decline in revenue for the Singapore operations was due to the slowdown in job activities because of Covid-19. A number of our job sites saw a reduction in labor productivity due to the Circuit Breaker period as well as the imposition of safe distancing measures by the relevant authorities. Hence, we had to reduce the number of workers at each job sites. In addition, some of our business partners have deferred projects that were previously awarded to the Group. During the Circuit Breaker period as well as post Circuit Breaker period, we were allowed to deploy only 57% of our operational work force. The remaining 43% of our operational work force is either still being confined in the workers' dormitories or unable to work due to insufficient workers' quota granted by the Ministry of Trade and Industry (MITI). Our overall labor productivity declined by 24%.

As at the date of this announcement, 66% of our direct work force are available for deployment.

Cost of sales declined by \$3.3 million or 13.6% to \$21.1 million. Included in the cost of sales are wages and allowances, depreciation and dormitories' rental costs. These are considered fixed costs to the Group. We are currently in discussions with the dormitories' operators on a possible rental relief. The Group has benefitted from the various financial support that the Singapore Government has provided to local companies including us in the second quarter of FY2020 [Note: the gross profit margin of 14.4% in the second quarter of FY2020 was primarily due to this effect]. On its own, the Group has further initiated a number of cost management measures. However, the yields from such measures are limited as the Group has already implemented strong cost management measures since FY 2017 to address the strong headwinds that the process industry faces.



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(Incorporated in the Republic of Singapore)

(Company registration number: 196900250M)

We incurred a gross profit and gross profit margin of \$1.0 million (6M2019: \$1.4 million) and 4.5% (6M2019: 5.5%) respectively for the current period. Both Singapore and Taiwan operations registered positive gross profit. As a result of the imposition of the Movement Control Order by the Malaysia Government, there were lesser job activities at the Malaysia operations. It incurred a gross loss of \$97,000 for the current period.

(i) Other income and recoveries

The decline in other income of \$248,000 or 43.7% was due to lesser income from sale of scrap and lesser recoveries of medical costs from insurers.

(ii) Administrative expenses

Administration expenses increased by \$236,000 or 8.43%. The Group, with the approval from the relevant authorities, had moved 390 of our workers into accommodations designated by the relevant authorities or business partners. As a result of this arrangement, we incurred a total of \$728,000 (Covid-19 expenses) for hotel and meal arrangements for the current period. Had these Covid-19 expenses not incurred, administration expenses declined by \$492,000 or 17.3%. The decline was due to write back of provision for doubtful debt of \$155,000 in which we were successful in recovering the full amount from a customer and lower professional fees incurred in the current period. In the previous corresponding period, professional fees incurred were related to the proposed acquisition of the North America Joint Venture which was subsequently aborted.

(iii) Other operating expenses

Other operating expenses consist mainly of foreign exchange gain and losses. We incurred an exchange gain of \$440,000 in current period as compared to an exchange loss of \$88,000 in prior period. This is due to weakening of Singapore dollars against the US dollars in the current period.

(iv) Finance income

A lower finance income in the current period was due to lower interest earned on our fixed deposits due to lower interest rates.

(v) Finance expenses

A slight decline in finance costs of \$6,000 for the current period.

(vi) Income tax (expense) / credit

In prior period, there was a write back of deferred tax liability of \$134,000. In the current period, we made a tax provision of \$125,000. The tax provision made was for the Taiwan operations.

(vii) Current year performance

The Group ended the period with a loss before taxation of \$1.2 million as compared to a loss of \$735,000 in the prior period. The Group generated positive EBITDA of \$839,000 (6M2019: positive EBITDA of \$882,000) for the current period.



MUN SIONG ENGINEERING LIMITED

(Incorporated in the Republic of Singapore)

(Company registration number: 196900250M)

Notes to statements of financial position

Group and Company

- (i) Property, plant and equipment (decreased by \$0.9 million)

The decrease was due to additions of \$0.9 million offset by the depreciation costs of \$1.8 million. The additions were mostly incurred by our overseas operations to build up their workshop facilities and to support their ongoing operations.

- (ii) Right of use assets (increased by \$15,000)

Our overseas operations recorded right of use assets of \$249,000 for their lease workshops. This increase was offset by the depreciation costs of \$234,000.

- (iii) Investment in an associate (increased by \$241,000)

The increase was due to injection of funds into the Malaysia associate and capitalization of legal fees directly associated with the investment in associate.

- (iv) Contract assets (decreased by \$8.8 million)

The decrease was mostly due to lesser job activities in the current period and increase in billings for jobs that were completed since 31 December 2019.

- (v) Trade and other receivables (decreased by \$8.2 million)



The decrease was mainly due to collections from customers.

Trade receivables remain current and there was no provision made for doubtful debt in the current period.

As at 28 July 2020, the Group realized \$3.2 million or approximately 51.0% of its outstanding trade receivables as at 30 June 2020.

- (vi) Financial asset at fair value through profit and loss (increased by \$994,000)

We invested in a financial asset that yield a higher interest rate than fixed deposits.



MUN SIONG ENGINEERING LIMITED

(Incorporated in the Republic of Singapore)

(Company registration number: 196900250M)

- (vii) Lease liabilities (increased by \$97,000 in non-current liabilities and decreased by \$122,000 in current liabilities)

The decrease is in line with the remaining lease tenor for the Singapore leasehold land and building. The existing lease will end on 15 August 2020.

The Singapore operations had extended the lease for another 3 years, expiring on 16 August 2023. With this extension, the right of use asset and lease liability will increase by \$1.2 million, which we will record in the second half of 2020.

During the year, the Taiwan operations also entered into a new lease to house the workshop.

- (viii) Contract liabilities (increased by \$238,000)

The increase was due to advance billings from customers for some of the projects.

- (ix) Trade and other payables (decreased by \$5.7 million)

The decrease was mainly due to payments to suppliers.

- (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)

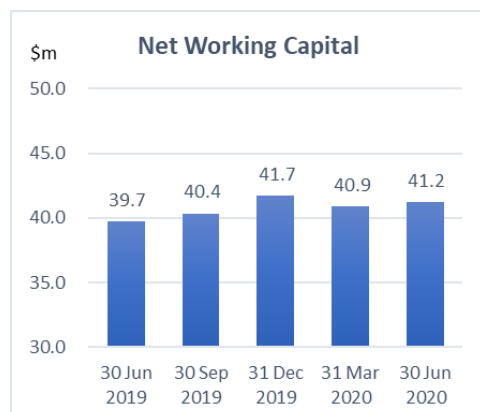
Reissuance of 800,000 of treasury shares under the Group's Performance Share Plan. The Group recognized \$38,000 of share-based compensation expense in the profit and loss in the current period.

Notes to cash flow statement

The Group reported a cash balances of \$37.3 million as at 30 June 2020. An increase of \$9.9 million from \$27.4 million as at 31 December 2019.

The net cash of \$11.0 million generated from operating activities was offset primarily by the use of funds of \$0.9 million from investing activities and \$0.3 million from financing activities.

Net Working capital (current assets less current liabilities): \$41.2 million as at 30 June 2020, \$41.7 million as at 31 December 2019 and \$39.7 million as at 30 June 2019.





MUN SIONG ENGINEERING LIMITED

(Incorporated in the Republic of Singapore)

(Company registration number: 196900250M)

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.

Singapore:

Competition between the service providers to the process industry, while having always been stiff, has intensified significantly in recent days due to Covid-19.

Major plants and facilities owners have now placed an increased financial resources criterion relative to the performance criterion. Service providers that are financially under-capitalized or have inadequate working capital are eliminated in the evaluation (or qualifying) process. This has worked towards the Group's advantage, as it has both the financial resources and performance requisite experiences.

Two of the Group's key business partners have renewed their maintenance contracts with the Group for a further period of 5 years. Maintenance works, while low in profit margins, constitutes a large proportion of the Group's revenue and they may provide opportunities for the Group to participate in Turnaround projects when they arise, which in some cases provide higher revenue and profit margins. Besides this, it also allows the Group to maintain a directly employed workforce and minimize reliance on subcontractors – which are costly and unproductive.

- i. Business Partner A (the "BP A") – a major multi-national oil and gas company that operates significant refining and petrochemical facilities in Singapore. BP A has been a key customer to the Group for almost 5 decades. In the recent contract renewal, the Group is given a substantial increase in the area of coverage at their plants and facilities.
- ii. Business Partner B (the "BP B") – a major multi-national oil and gas company that operates substantial refining and petrochemical facilities at Jurong Island. BP B has been a key customer of the Group also for almost 5 decades. The Group has achieved substantial increase in the area of coverage in BP B's petrochemical facilities in its recent maintenance contract renewal.

In both instances, the increase in physical area of coverage in the plants and facilities will translate to greater opportunities for the Group to offer its array of services.

Besides solidifying its existing business relationships, the Group has made inroads to a new plants and facilities owner (the "BP C"). BP C currently operates refining facilities at Jurong Island and is jointly owned by a multi-national corporation based in North America and a North Asia state owned conglomerate focus on the oil and gas and petrochemical industries. BP C has awarded the Group a revamp project.

The Singapore operations will continue to be the main generator for the Group's revenue.

The Jurong Town Corporation has recently extended the lease at 35 Tuas Road (which houses the Group's Singapore operations) to August 2023. As the business environment continues to remain fluid, the Group will evaluate its space requirements in light of its business operations, especially against its market diversification strategies.



MUN SIONG ENGINEERING LIMITED

(Incorporated in the Republic of Singapore)

(Company registration number: 196900250M)

(B) Malaysia:

Due to the Movement Control Order imposed by the Malaysia Government from the period March 2020 to June 2020, the Group is facing delays in assuming certain sites designated by Petronas from the incumbent contractors. The Group continues to actively engaging Petronas and in recent days' discussions on potential works that it may be contemplating in the near future. It will await directions from Petronas on the timing of the handover.

On 4 March 2020, the Group has increased its paid-up share capital of its Malaysian legal entity, to RM367,000 (or S\$120,000). The increase in paid-up share capital is to provide working capital and establishment of workshop facilities.

The Malaysian operations will not have any significant contributions to FY2020.

(C) Taiwan:

As at the date of announcement, the Taiwanese government had not imposed any restrictions to the movement on its population.

On 21 April 2020, the paid-up share capital of the branch office was increased to TWD20 million (S\$0.9 million). The increased in paid-up share capital is to qualify the branch office for jobs of higher dollar value and wider scope of work and for working capital.

During the first six months of the financial year, the Taiwan operations has completed establishing its workshop facilities. This will facilitate it to make inroads to potential customers through offering its wide array of services.

(D) Covid-19:

As at the date of this announcement, a total of 41 workers were tested positive for Covid-19 of which 25 have recovered. Management continues to provide support to all its direct foreign employed workers, currently exceeding 800 workers.

The Group's directly employed workforce are substantially housed at Westlite Toh Guan and Westlite Papan dormitories. Both dormitories have been designated as isolation areas by the relevant authorities. Currently, the relevant authorities, has allowed 83 workers from Westlite Papan Dormitories to be deployed by the Group. These workers are included in the 66% available for deployment as at date of this announcement. This continues to hinder the Group in receiving, planning and executing job orders from business partners, consequently affecting the financial performance.

There are no reported Covid-19 cases at the Malaysia and Taiwan operations.

The Group has accepted a Temporary Bridging Loan, amounting to S\$5.0 million, for a period of 5 years from financial institutions. The said loan is part of the Singapore government's financial assistance to local enterprises. The interest rate of loan ranges between 2.0% to 2.1 % per annum, which is significantly lower than the Group's current cost of borrowings.

(E) Financial resources:

As at the date of this announcement, the Group cash balances stands at S\$37.3 million and continues to have strong working capital (current assets less current liabilities).



MUN SIONG ENGINEERING LIMITED

(Incorporated in the Republic of Singapore)

(Company registration number: 196900250M)

The Group's core businesses will continue to gather momentum from both its existing (Singapore) and new (Malaysia and Taiwan) markets. In normal operating environment, competition for jobs in these markets are intense and profit margins are constantly under stress. However, this has greatly intensified under Covid-19, where jobs are fewer, and plants and facilities owners have significantly reduced their capital expenditure budgets. Management will continue to engage in jobs that are gross profit margins positive and in selected circumstances neutral margin.

The Group currently experiences accounts receivable turnover of 53 days for 6 months ended 30 June 2020 as compared to 83 days for the financial year ended 31 December 2019. A major portion of operating costs are wages and allowances, which are paid on a monthly basis. To bridge the time gap (between payments and receipts), the Group has to rely on its working capital. Many of the Group's trade creditors (suppliers) have increased their frequency of monitoring of their payments. Funding from financial institutions or the capital markets will erode Group's profit margins significantly, especially credit risk posed by Covid-19 has decreased the availability of funding and increased the cost of borrowings.

The Group's working capital needs would therefore correlate directly with the dollar value of jobs that it undertakes and the realization of its account receivable. This supported the decision to accept and draw down on the Temporary Bridging Loan in third quarter of FY2020 despite the Group significant cash balances (as at 30 June 2020: \$37.3 million).

Shareholders have in the recent annual general meeting expressed a strong desire that the Company undertakes share buybacks – the Company's share price trades significantly below its net assets value (which cash balances constitutes a high percentage). The share buyback resolution has been unanimously passed at the recent annual general meeting (supported by the substantial shareholders whom are members of the Board of Directors). The Company will undertake share buybacks with excess working capital. The Board of Directors continues to hold the view that the economic value of the Group can only be enhanced and sustained by growth in profitability from its core businesses.

(F) Continuing guidance:

The Group on its own accord will provide guidance on its 3rd Quarter FY2020 and 9 months financial performance in November 2020.

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 first half ended 30 June 2020 is recommended.

(b) (i) Amount per share cents

Not applicable.

(b) (ii) Previous corresponding period cents

Not applicable.



MUN SIONG ENGINEERING LIMITED

(Incorporated in the Republic of Singapore)

(Company registration number: 196900250M)

(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. 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 period ended 30 June 2020 to be false or misleading in any material respect.

15. 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

6 August 2020