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GUIDANCE TO THE FINANCIAL PERFORMANCE AND POSITION OF THE GROUP FOR THE FIRST QUARTER ENDING 31 MARCH 2021

Mun Siong Engineering Limited (the “**Company**”), together with its subsidiaries and associate companies (the “**Group**”), wishes to provide guidance on its first quarter financial performance ending 31 March 2021.

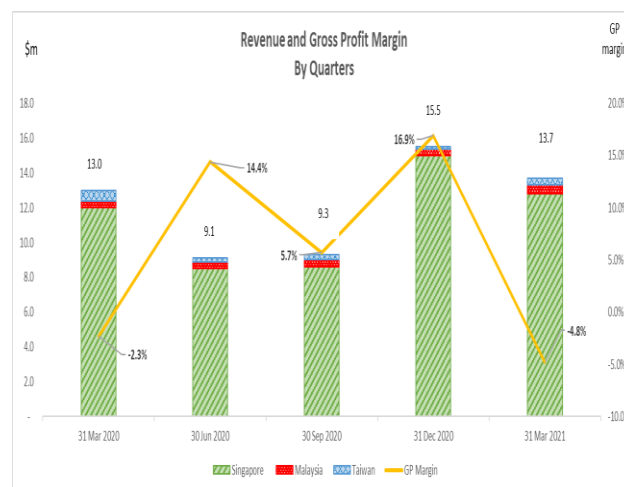
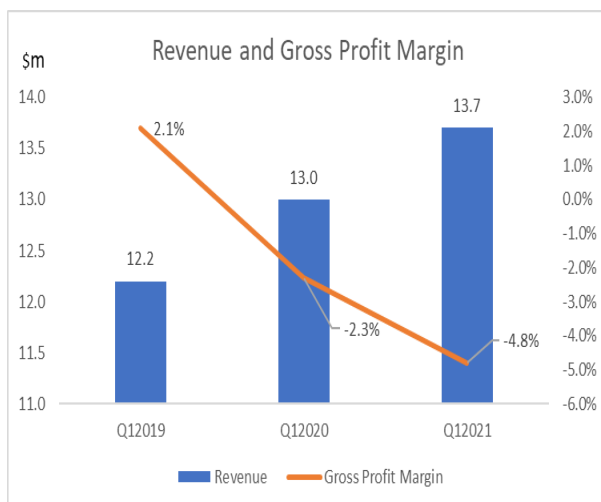
The Group had on 20 February 2020 announced that it will discontinue the quarterly reporting of the Company and Group financial statements. The Company will now announce the financial statements of the Company and the Group on a half-yearly basis, as in compliance to the amended listing rules, announced by the SGX-ST on 7 February 2020.

The Board of Directors would like to provide guidance on the Group’s financial performance and position in view of the current volatile and uncertain economic environment. This guidance is part of our continuous engagement between the Board of Directors and various shareholders, investors, business partners and employees.

It should be noted that the information below is based on the Group’s management accounts and they are prepared on the basis of accounting principles described and consistent with the Group’s Annual Report FY2020. The Group’s auditors, Messrs KPMG LLP, have not reviewed these management accounts and the guidance statement given below. The statement contained in the paragraph “Operating Environment” should not be construed as forward looking statement relating to the Group’s future performance. In the event that there are material changes in our business or the operating environment that we are working in, we will make the necessary announcement on the SGX-ST.

Shareholders and investors should consult their stockbrokers, bank managers, solicitors and other professional advisers if they have any doubt about the actions that they should take.

Review of Financial Performance



For the current quarter ending 31 March 2021 (“**Q12021**”), the Group recorded a revenue of \$13.7 million, an increase of \$0.6 million or 4.9% against the corresponding quarter ended 31 March 2020 (“**Q12020**”).

Cost of sales increased by \$1.0 million or 7.5% to \$14.3 million in the current quarter. The increase was mostly attributable to the increase in subcontractor costs incurred by the Singapore Operations. For more information, please refer to following section under Singapore Operations.

The Group incurred a gross loss of \$0.7 million (Q12020: gross loss \$0.3 million) or negative gross margin of 4.8% (Q12020: negative gross margin of 2.3%) for the current quarter.

Singapore Operations:

For the current quarter, the Singapore operations registered an increase in revenue of \$0.8 million or 6.6% to \$12.8 million. The Group continues to receive good volume of work orders arising from the renewed maintenance contracts (increase in process units coverage) from our two key business partners. Despite the increase in volume of work, its operations registered gross losses and negative gross margin for both Q12021 and Q12020.

The Singapore operations continue to face difficulties in increasing the number of direct employed work force to execute its increased work orders. The Singapore operations hire its work force mostly from India and Bangladesh. As COVID-19 continues to rage in these countries, the Singapore government has on 24 April 2021 placed entry ban on people travelling from these countries (including Sri Lanka and Nepal) into Singapore. It should also be noted that the Company was debarred from applying for new work passes by the Ministry of Manpower until 30 June 2021 (due to the outcome of our appeal in which the debarment was shortened from 31 December 2021 to 30 June 2021). Please refer to announcements dated 6 April 2021 and 22 April 2021 for more details on the debarment.

To bridge its shortfall in manpower needs, the Company has to engage subcontractors. Due to significant increases in demand, arising from entry restrictions of foreign workers into Singapore, their rates have increased. The Company is unable to pass these increases to its business partners and has to absorb these additional costs.

Mitigating the additional manpower needs, Management has intensified its effort in improving the work crew's productivity and utilization of mechanized tools to reduce the reliance on manual work. However, this initiative has its limitations, and it will also cause an increase in our investment commitments in procuring additional/new mechanized tools.

Malaysia Operations:

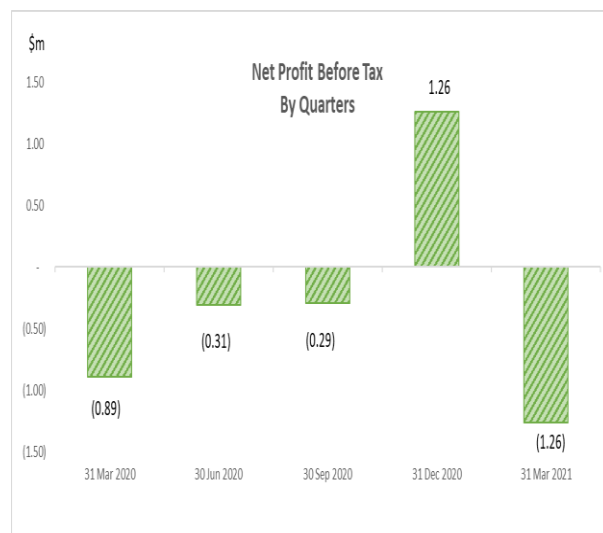
The Malaysia operations achieved a revenue of \$0.5 million for the current quarter as compared to \$0.4 million in Q12020. This represented an increase of \$0.1 million or 20.2%. The Malaysia operations registered a positive gross profit for the current quarter as compared to a gross loss in Q12020. It does not contribute significantly to the Group in both quarters.

We were unable to perform maintenance work due to a number of COVID-19 infections at our designated worksites in early Q12021. Works were restricted to only critical and essential works. However, in the late half of Q12021, maintenance works have been allowed to resume. This is a positive development for us.

Taiwan Operations:

There was a decrease in revenue of \$0.2 million or 37.7% to \$0.4 million in the current quarter. The lower revenue in the current quarter was due to execution of smaller dollar value works. The operations registered a gross loss in the current quarter as compared to a gross profit in Q12020. The value of jobs undertaken in Q12021 were of a smaller dollar value and unable to fully absorb the overhead cost.

Net profit /(loss) before tax:



For the current quarter, other income increased by \$0.2 million or 67.5% to \$0.4 million. The increase is mainly due to the sale of scraps and grants received (such as wage credit scheme, special employment credit etc.) from the various Singapore Government agencies.

Administration costs decreased by \$0.3 million or 22.7% to \$1.1 million in the current quarter. The decrease is due to both lower professional fees and expenses related to COVID-19.

Other operating expense decreased by \$0.5 million or 78.5% to \$0.1 million in the current quarter. Both quarters recognized an unrealized exchange gain being the current quarter recognizing a lower unrealized exchange gain. The gain in both quarters were due to weakening of Singapore dollars against the US dollars.

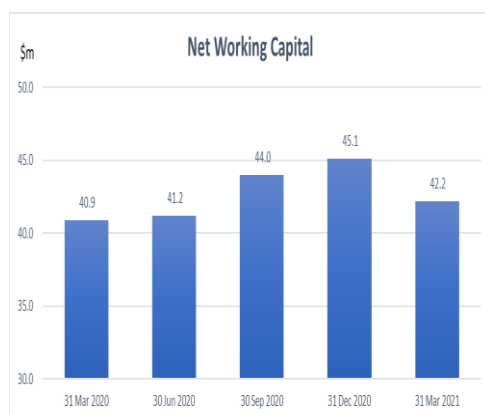
The Group recorded a net loss of before tax of \$1.26 million in Q12021 as compared to a net loss before tax of \$0.89 million in Q12020.

Various Singapore Government Financial Support (Job support Scheme and Foreign Workers Levy rebates and waivers) received in FY2020 were tapered off towards the end of December 2020. The Group received \$0.3 million of these financial support in Q12021. The Group also obtained confirmation in April 2021 that there was no overpayment for the financial support it received in FY2020.

Review of financial position of the Group as at 31 March 2021

As at 31 March 2021, the Group's shareholders' funds stood at \$53.3 million (31 December 2020: \$54.6 million and 31 March 2020: \$54.3 million).

Net working capital (current assets less current liabilities) as at 31 March 2021 was \$42.2 million. Comparing 31 March 2021 and 31 December 2020, the decline in net working capital of \$2.9 million was due substantially to payments of \$1.0 million for payables, reclassification of Enterprise Resources Planning system from prepayments to fixed assets of \$1.0 million and reclassification of borrowings from non-current liabilities to current liabilities of \$0.4 million.



Trade receivables as at 31 March 2021 was \$8.8 million (31 December 2020: \$11.7 million and 31 March 2020: \$6.2 million). The decline by \$2.8 million (compared to 31 December 2020) was mainly due to collections from business partners. No provision for doubtful debts was deemed necessary in Q12021.

The bank and cash balances as at 31 March 2021 stood at \$37.6 million (31 December 2020: \$37.7 million and 31 March 2020: \$34.0 million). Total Borrowings including lease liabilities as at 31 March 2021 was at \$6.3 million (31 December 2020: \$6.4 million and 31 March 2020: \$0.4 million). As at 31 March 2021, our gross debt ratio was at 11.8% (31 December 2020: 11.8% and 31 March 2020: 0.7%).

Operating Environment

Singapore

As at the date of this update, none of our employees has been tested positive for COVID-19. Approximately 53 % of our direct employed workforce residing at the various dormitories have been vaccinated.

The Singapore Government has also recently announced that it will temporary stop granting approval for new foreign workers arriving from India and Bangladesh, in view of the worsening COVID-19 situation in these countries. To overcome the deficit in manpower, and minimize the cost of engaging subcontractors, Management is in the process of reorganizing our direct employed work force and reviewing their work schedule.

We currently house 360 of our directly employed work force at Westlite Woodlands Dormitory. Our workers were placed under 14 days quarantined order due to a positive COVID-19 case involving other company's workers, who are residing in a different block within the same premise. None of our workers were infected from this case. On 30 April 2021, all our workers' quarantine orders were lifted.

As per our results announcement dated 25 February 2021, the Group has been in discussion with certain government related agency to recover the decanting costs. In April 2021, we have obtained approval and recovered \$1.0 million.

Malaysia

The Malaysia Operations have been actively engaging Petronas for potential work orders for 2H2021. These discussions have been encouraging and we will continue to engage them. However, the movement controls imposed by the government there due to the continuous high COVID-19 infection rates continues to hamper our ability to plan and commence work.

On 5 March 2021, Pegasus Advance Engineering Sdn Bhd (the "**PAE (M)**"), an indirect joint venture company of the Company, entered into a conditional sales and purchase agreement to acquire a 60 year leasehold industrial land and building in the district of Kota Tinggi, Johor, Malaysia. The purchase consideration is RM6.4 million. The initial deposit has been placed with the vendor's solicitors and we are in the process of completing the acquisition.

We intend to erect fabrication facilities and upgrade current building structures to house both operations and administration. It is estimated that the total investment (including the purchase of the said land and building) would be around RM16.0 million. This would be funded by a combination of bank borrowings and internal funds from the Company. Please refer to our announcement dated 5 March 2021 for more details.

Taiwan

We have been awarded a project worth TWD 89.5 million (or S\$4.2 million). The work for this project will commence in Q2 2021. The Company will continue to bid for more projects like turnaround and maintenance works there.

Messrs Chen and Lin Attorneys-at-Law, whom have been retained to provide assistance to the Company in the event that the relevant authorities require further assistance, have updated us that there are no new developments relating to our announcement dated 14 April 2021 (Assistance in an investigation – Taiwan Branch Office).

Update on the internal review of the Human Resource Department

The Company is undertaking an internal review of its Human Resource operations on its own accord. The Group currently outsource its internal audit functions to Messrs. MS Risk Management Pte Ltd (“**MSRM**”). The Board of Directors has received a proposal from MSRM on this internal review. Please refer to the announcement dated 22 April 2021 for further details.

By order of the Board

Cheng Woei Fen
Executive Chairlady

6 May 2021