# Mun Siong Engineering Limited

Condensed Interim Financial Statements for the six months ended 30 June 2022

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## A. Condensed interim consolidated statement of profit or loss and other comprehensive income

| | Group | | |
|---|---|---|---|
| | 6 months ended 30 June | | Incr / |
| | 1H2022 | 1H2021 | (Decr) |
| | $'000 | $'000 | % |
| Revenue | 30,592 | 30,589 | 0.0 |
| Cost of sales | (27,881) | (30,310) | (8.0) |
| Gross profit | 2,711 | 279 | 871.7 |
| Other income and recoveries | 295 | 1,504 | (80.4) |
| Administrative expenses | (3,870) | (2,101) | 84.2 |
| Other operating (expenses)/income | (210) | 121 | (273.6) |
| Share of results of an equity-accounted investee | 2 | 1 | 100.0 |
| **Results from operating activities** | (1,072) | (196) | 446.9 |
| Finance income | 49 | 34 | 44.1 |
| Finance costs | (67) | (79) | (15.2) |
| **Loss before income tax** | (1,090) | (241) | 352.3 |
| Tax expense | (330) | (322) | 2.5 |
| **Loss after income tax** | **(1,420)** | **(563)** | 152.2 |
| **Other comprehensive income:** | | | |
| ***Items that may be reclassified subsequently to profit or loss:*** | | | |
| Foreign currency translation difference from foreign operations | 29 | 30 | (3.3) |
| **Total comprehensive income** | **(1,391)** | **(533)** | 161.0 |
| **Loss attributable to:** | | | |
| Owners of the Company | **(1,420)** | **(554)** | 156.3 |
| Non-controlling interest | **-** | **(9)** | (100.0) |
| | **(1,420)** | **(563)** | 152.2 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | **(1,391)** | **(524)** | 165.5 |
| Non-controlling interest | - | **(9)** | (100.0) |
| | **(1,391)** | **(533)** | 161.0 |

| **Earnings per share for profit/(loss) for the period attributable to the owners of the Company during the year:** | | |
|---|---|---|
| Basic (SGD in cent) | (0.24) | (0.10) |
| Diluted (SGD in cent) | (0.24) | (0.10) |

## B. Condensed interim statements of financial position

| | Group | | Change | Company (Note 1) | | Change |
|---|---|---|---|---|---|---|
| | 30 June 22 | 31 Dec 21 | | 30 June 22 | 31 Dec 21 | |
| | $'000 | $'000 | % | $'000 | $'000 | % |
| **Non-current assets** | | | | | | |
| Property, plant and equipment | 16,006 | 17,269 | (7.3) | 13,386 | 14,873 | (10.0) |
| Investment properties | 1,270 | 1,270 | - | 1,270 | 1,270 | - |
| Investment in an equity-accounted investee | 7 | 1 | 600.0 | - | - | - |
| Subsidiaries | - | - | - | 2,828 | 5,428 | (47.9) |
| **Total non-current assets** | **17,283** | **18,540** | (6.8) | **17,484** | **21,571** | (18.9) |
| **Current assets** | | | | | | |
| Inventories | 126 | 119 | 5.9 | 126 | 119 | 5.9 |
| Contract assets | 7,640 | 9,621 | (20.6) | 7,408 | 9,600 | (22.8) |
| Trade and other receivables | 12,501 | 23,622 | (47.1) | 19,811 | 24,993 | (20.7) |
| Cash and cash equivalents | 36,037 | 35,077 | 2.7 | 31,398 | 31,999 | (1.9) |
| **Total current assets** | 56,304 | 68,439 | (17.7) | 58,743 | 66,711 | (11.9) |
| **Total assets** | **73,587** | **86,979** | (15.4) | **76,227** | **88,282** | (13.7) |
| **Equity** | | | | | | |
| Share capital | 26,254 | 26,254 | - | 26,254 | 26,254 | - |
| Treasury shares | (9) | (65) | (86.2) | (9) | (65) | (86.2) |
| Share based compensation reserve | (55) | (39) | 41.0 | (55) | (39) | 41.0 |
| Translation reserve | 112 | 83 | 34.9 | 87 | 100 | (13.0) |
| Retained earnings | 27,077 | 28,845 | (6.1) | 29,632 | 30,365 | (2.4) |
| **Equity attributable to owners of the Company** | **53,379** | **55,078** | (3.1) | **55,909** | **56,615** | (1.2) |
| Non-controlling interests | - | - | - | - | - | - |
| **Total equity** | **53,379** | **55,078** | (3.1) | **55,909** | **56,615** | (1.2) |
| **Non-current liabilities** | | | | | | |
| Loans and borrowings | 2,910 | 3,770 | (22.8) | 2,886 | 3,750 | (23.0) |
| Provisions | 1,302 | 1,289 | 1.0 | 1,302 | 1,289 | 1.0 |
| Deferred tax liabilities | 1,359 | 1,331 | 2.1 | 1,359 | 1,331 | 2.1 |
| **Total non-current liabilities** | 5,571 | 6,390 | (12.8) | 5,547 | 6,370 | (12.9) |
| **Current liabilities** | | | | | | |
| Trade and other payables | 11,184 | 21,753 | (48.6) | 11,413 | 21,637 | (47.3) |
| Contract liabilities | 1,042 | 1,418 | (26.5) | 1,042 | 1,418 | (26.5) |
| Provisions | 462 | 462 | - | 462 | 462 | - |
| Loans and borrowings | 1,765 | 1,762 | 0.2 | 1,718 | 1,734 | (0.9) |
| Tax payable | 184 | 116 | 58.6 | 136 | 46 | 195.7 |
| **Total current liabilities** | 14,637 | 25,511 | (42.6) | 14,771 | 25,297 | (41.6) |
| **Total liabilities** | **20,208** | **31,901** | (36.7) | **20,318** | **31,667** | (35.8) |
| **Total equity and liabilities** | **73,587** | **86,979** | (15.4) | **76,227** | **88,282** | (13.7) |

*NM: Not meaningful*

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

## C. Condensed interim statements of changes in equity

| The Group | Share Capital | Treasury Shares | Share based Compensation Reserve | Translation Reserve | Retained Earnings | Total | Non-Controlling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **2022** | | | | | | | | |
| Balance at 1 January | 26,254 | (65) | (39) | 83 | 28,845 | 55,078 | - | 55,078 |
| Loss for the period | - | - | - | | (1,420) | (1,420) | - | (1,420) |
| Other comprehensive income | - | - | - | 29 | - | 29 | - | 29 |
| Dividends paid | - | - | - | - | (348) | (348) | - | (348) |
| Grant of performance shares to employees | - | 56 | (16) | - | - | 40 | - | 40 |
| **Balance at 30 June** | **26,254** | **(9)** | **(55)** | **112** | **27,077** | **53,379** | **-** | **53,379** |
| **2021** | | | | | | | | |
| Balance at 1 January | 26,254 | (92) | (34) | 34 | 28,403 | 54,565 | 9 | 54,574 |
| Loss for the period | - | - | - | - | (554) | (554) | (9) | (563) |
| Other comprehensive income | - | - | - | 30 | | 30 | - | 30 |
| Dividends paid | - | - | - | - | (232) | (232) | - | (232) |
| Grant of performance shares to employees | - | 43 | (5) | - | - | 38 | - | 38 |
| Purchase of treasury shares | - | (16) | - | - | - | (16) | - | (16) |
| **Balance at 30 June** | **26,254** | **(65)** | **(39)** | **64** | **27,617** | **53,831** | **-** | **53,831** |

| The Company | Share Capital | Treasury Shares | Share based Compensation Reserve | Translation Reserve | Retained Earnings | Total |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **2022** | | | | | | |
| Balance at 1 January | 26,254 | (65) | (39) | 100 | 30,365 | 56,615 |
| Loss for the period | - | - | - | - | (385) | (385) |
| Other comprehensive income | - | - | - | (13) | - | (13) |
| Dividends paid | - | - | - | - | (348) | (348) |
| Grant of performance shares to employees | - | 56 | (16) | - | - | 40 |
| **Balance at 30 June** | **26,254** | **(9)** | **(55)** | **87** | **29,632** | **55,909** |
| **2021** | | | | | | |
| Balance at 1 January | 26,254 | (92) | (34) | 40 | 28,225 | 54,393 |
| Loss for the period | - | - | - | - | (802) | (802) |
| Other comprehensive income | - | - | - | 35 | - | 35 |
| Dividends paid | - | - | - | - | (232) | (232) |
| Grant of performance shares to employees | - | 43 | (5) | - | - | 38 |
| Purchase of treasury shares | - | (16) | - | - | - | (16) |
| **Balance at 30 June** | **26,254** | **(65)** | **(39)** | **75** | **27,191** | **53,416** |

## D. Condensed interim consolidated statement of cash flows

| | Group | |
|---|---|---|
| | 6 months ended 30 June | |
| | 1H2022 | 1H2021 |
| **Cash flows from operating activities** | $'000 | $'000 |
| Loss before income tax | (1,090) | (241) |
| Adjustments for: | | |
| Depreciation | 1,577 | 1,649 |
| Interest expense | 54 | 66 |
| Equity-settled share-based payment transactions | 40 | 38 |
| Write back provision for onerous contracts | - | (42) |
| Impairment loss on contract assets | 884 | - |
| Provisions for monetary penalties | 342 | - |
| Unwinding of discount on provision for restoration costs | 13 | 13 |
| Share of results of an equity-accounted investee | (2) | (1) |
| Interest income | (49) | (34) |
| Net gain on disposal of property, plant and equipment | (1) | - |
| Operating cash flow before working capital changes | 1,768 | 1,448 |
| Changes in inventories | (7) | - |
| Changes in contract assets | 1,096 | (183) |
| Changes in trade and other receivables | 11,120 | 814 |
| Changes in trade and other payables | (10,917) | (704) |
| Changes in contract liabilities | (377) | 35 |
| Cash generated from operating activities | 2,683 | 1,410 |
| Income tax paid | (231) | (339) |
| **Net cash generated from operating activities** | **2,452** | **1,071** |
| **Cash flows from investing activities** | | |
| Interest received | 49 | 34 |
| Investment in equity-accounted investee | - | (82) |
| Proceeds from disposal of property, plant and equipment | 20 | - |
| Acquisition of property, plant and equipment | (389) | (2,879) |
| **Net cash used in investing activities** | **(320)** | **(2,927)** |
| **Cash flows from financing activities** | | |
| Purchase of treasury shares | - | (16) |
| Dividends paid | (348) | (232) |
| Proceeds from bank loan | - | - |
| Repayment of borrowings | (607) | - |
| Payment of lease liabilities | (276) | (287) |
| Interest paid | (70) | (62) |
| **Net cash used in financing activities** | **(1,301)** | **(597)** |
| **Net increase/(decrease) in cash and cash equivalents** | **831** | **(2,453)** |
| Cash and cash equivalents at beginning of period | 35,077 | 37,737 |
| Effect of exchange rate fluctuations on cash held | 129 | 26 |
| **Cash and cash equivalents at end of period** | **36,037** | **35,310** |

## E. Notes to the condensed interim consolidated financial statements

### 1. Corporate Information

Mun Siong Engineering Pte Ltd (the "Company") was incorporated in Singapore in 1969. It was converted to a public limited company in 2010 when its shares are quoted and traded on the main board of the Singapore Exchange.

The principal activities of the Company, including that of its subsidiaries and equity-accounted investee, are provisions of mechanical engineering, electrical engineering, project management and provision of specialized services to the process industries. Beside this, it is also an investment holding company.

To further the Company's interest in Malaysia, the Group has three entities namely, HIMS Integrated Services Sdn Bhd ("HIMS") (an equity-accounted investee) and Mun Siong Engineering Sdn Bhd, which in turn holds equity interest in Pegasus Advance Engineering Sdn Bhd ("PAE M").

Its business interest in Taiwan is a branch office of the Company. The branch office is located in Kaohsiung, Taiwan. The financials of the Company include the results of the branch office.

These condensed interim consolidated financial statements as at and for the six months ended 30 June 2022 comprise the Company and its subsidiaries (collectively the "Group") and the Group's interest in an equity-accounted investee.

Besides the above operating entities, other legal entities related to the Group includes Pegasus Advance Engineering (Netherlands) BV, Pegasus Advance Engineering Co Ltd (Myanmar), Pegasus Advance Engineering (US), Inc and Pegasus Midwest Limited Liability Company. During the six months ended 30 June 2022, these entities are inactive companies.

### 2. Basis of Preparation

The condensed interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2021.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in Singapore dollar which is the Company's functional currency.

### 2.1. New and Amended Standards Adopted by the Group

A number of amendments to the Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

### 2.2. Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2021.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next interim period are:

- Revenue recognition: estimate of total contract costs used in determining the percentage of completion (refer to Note 4); and
- Impairment of property, plant and equipment (refer to Note 11).

### 3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period. However, it should be noted that shorter working days in a month due to public holidays, for example Chinese New Year and Christmas, do affect the Group's revenue and operating performance.

### 4. Revenue

| | Group | |
|---|---|---|
| | 6 months ended 30 June | |
| **Revenue** | **1H2022** | **1H2021** |
| | **$'000** | **$'000** |
| Revenue from contracts with customers | 30,592 | 30,589 |

Significant judgements are used to estimate total contract costs to complete. In making these estimates, management has relied on past experiences of completed projects. The estimated total contract costs are reviewed at every reporting period and adjusted, where necessary, with the corresponding effect of change being recognized prospectively from the date of change.

### 5. Segment and revenue information

The operating segments are reported in a manner consistent with internal reporting provided to the Group's Executive Committee who is responsible for allocating and assessing performance of the operating segments. The Group's Executive Committee reviews internal management reports at least on a monthly basis.

Following the integration of OHM Engineering Pte Ltd's operations into the Company in 2019, management has determined that the Group has one reportable segment – Mechanical, electrical, instrumentation and others.

Other services provided by the Group have been aggregated under the segment "Mechanical, electrical, instrumentation and others". None of these segments meets any of the quantitative thresholds for determining reportable segments in 1H2022 and 1H2021.

| | Group | |
|---|---|---|
| | 6 months ended 30 June | |
| **Reportable Segments** | **1H2022** | **1H2021** |
| | **$'000** | **$'000** |
| Revenue from external parties | 30,592 | 30,589 |
| Interest income | 49 | 34 |
| Miscellaneous income | 23 | 23 |
| Total other income | 72 | 57 |
| Total revenue and other income | 30,664 | 30,646 |
| Depreciation | 1,577 | 1,649 |
| Finance expense | 67 | 66 |
| Segment profit / (loss) | (1,115) | (265) |
| Unallocated segment profits | 23 | 23 |
| Share of results of an equity-accounted investee | 2 | 1 |
| Consolidated profit / (loss) before tax | (1,090) | (241) |
| Tax expense | (330) | (322) |
| Earnings for the interim period | (1,420) | (563) |
| Capital expenditures | 389 | 3,933 |
| Total assets for reportable segment | 69,301 | 72,715 |
| Investment properties | 1,270 | 1,205 |
| Investment in equity-accounted investee | 7 | 322 |
| Right-of-use assets | 3,009 | 3,881 |
| Consolidated total assets | 73,587 | 78,123 |
| Total liabilities for reportable segment | 18,665 | 22,255 |
| Current tax payable | 184 | 417 |
| Deferred tax liabilities | 1,359 | 1,620 |
| Consolidated total liabilities | 20,208 | 24,292 |

| Disaggregation of revenue | Group 6 months ended 30 June 1H2022 $'000 | 1H2021 $'000 |
|---|---|---|
| **Types of services:** | | |
| Rendering of services | 30,592 | 30,589 |
| **Timing of revenue recognition** | | |
| At a point in time | 19,861 | 17,297 |
| Over time | 10,731 | 13,292 |
| | 30,592 | 30,589 |
| **Geographical information** | | |
| Singapore | 24,933 | 25,927 |
| Indonesia | 340 | 246 |
| Malaysia | 1,736 | 958 |
| Taiwan | 3,583 | 3,458 |
| | 30,592 | 30,589 |

## 6. Financial Assets and Financial Liabilities

Set up below is an overview of the financial assets and financial liabilities of the Group as at 30 June 2022 and 31 December 2021.

| | Group | | Company | |
|---|---|---|---|---|
| **Financial Assets** | 30-Jun-22 $'000 | 31-Dec-21 $'000 | 30-Jun-22 $'000 | 31-Dec-21 $'000 |
| **At amortised cost** | | | | |
| Trade and other receivables (exclude prepayments) | 11,829 | 23,314 | 19,203 | 24,773 |
| Cash and cash equivalents | 36,037 | 35,077 | 31,398 | 31,999 |
| | 47,866 | 58,391 | 50,601 | 56,772 |
| **Financial Liabilities** | | | | |
| **At amortised cost** | | | | |
| Trade and other payables | 11,184 | 21,753 | 11,413 | 21,637 |
| Bank loans | 4,053 | 4,662 | 4,053 | 4,662 |
| | 15,237 | 26,415 | 15,466 | 26,299 |

*Provision for expected credit losses (“ECL”) or impairment loss on trade receivables and contract assets*

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (ie the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assess whether financial assets carried at amortised cost are credit impaired. A financial asset is “credit impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

a) Significant financial difficulty of the debtor; and
b) A breach of contract such as a default.

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

The Group did not need to recognize any impairment on its trade receivables for the period ended 30 June 2022 (30 June 2021: $Nil). There was a transfer of impairment of $153,000 (net of exchange translation differences) from contract assets to trade receivables during the current period for completed jobs we had to bill HIMS (intermediate debtor) in 1H2022. HIMS in turn has also billed Highbase Strategic Sdn Bhd ("Highbase") (the ultimate debtor) for this amount.

It should be noted that the impairment was made for the Malaysia operation for the amount due from HIMS (an investee joint venture company and intermediate debtor) to PAE M. The said amount was also due from Highbase (the ultimate debtor) to HIMS.

Total impairment amount for the amount due from HIMS as at 30 June 2022,31 December 2021 and 30 June 2021 was $724,000, $571,000 and $Nil respectively.

The Group recognized an impairment on the contract assets for the Malaysia operation - arising from works done for Petronas. As at 31 December 2021, the impairment on the contract assets was $782,000 and for the period ended 30 June 2022 additional impairment of contract assets of $884,000 (1H2021: $Nil) was made. In aggregation, the impairment relating to contract assets for Petronas was $1.5 million as at 30 June 2022. Please refer to page 18 for more details.

## 7. Profit/(Loss) Before Income Tax

### 7.1. Significant Items

| | Group | | |
|---|---|---|---|
| | 6 months ended 30 June | | Incr/ (Decr) |
| | 1H2022 | 1H2021 | |
| | $'000 | $'000 | % |
| Depreciation | 1,577 | 1,649 | (4.4) |
| Net (gain) / loss on disposal of property, plant and equipment | (1) | - | 100.0 |
| Equity-settled share-based payment transactions | 40 | 38 | 5.3 |
| Impairment loss on contract assets | 884 | - | 100.0 |
| Provision for monetary penalties | 342 | - | 100.0 |
| Write back of provision for onerous contracts | - | (42) | (100.0) |
| Net foreign exchange loss /(gain) | 210 | (121) | (273.6) |
| Finance (income)/expenses: | | | |
| Interest income | (49) | (34) | 44.1 |
| Interest on bank loans | 44 | 50 | (12.0) |
| Interest on lease liabilities | 10 | 16 | (37.5) |
| Unwinding of discount on provision for restoration costs | 13 | 13 | - |

### 7.2. Related Party Transactions

| | Group | |
|---|---|---|
| | 6 months ended 30 June | |
| | 1H2022 | 1H2021 |
| | $'000 | $'000 |
| **Income/(expense)** | | |
| *Equity-accounted investee* | | |
| Revenue from contract (rendering of services) | 1,287 | 935 |
| Management fees paid | (46) | (41) |
| Transactions with key management personnel | | |
| - Directors' fees | (61) | (56) |
| - Short-term employee benefits | (942) | (740) |

### 8. Taxation

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

| | Group | |
|---|---|---|
| | 6 months ended 30 June | |
| | 1H2022 | 1H2021 |
| | $'000 | $'000 |
| Current income tax expense | (229) | (70) |
| Underprovision in respect of prior years | (73) | (200) |
| Deferred income tax expense relating to origination and reversal of temporary differences | (28) | (52) |
| Tax expense | (330) | (322) |

### 9. Dividends

No interim dividends for the first half ended 30 June 2022 (30 June 2021: $Nil) is recommended. No dividends have been declared or recommended in line with the previous financial year practice that proposed dividends are declared on a full financial year basis.

## 10. Net Asset Value

| | Group | | Company | |
|---|---|---|---|---|
| | 30 June 2022 | 31 Dec 2021 | 30 June 2022 | 31 Dec 2021 |
| Net asset value per ordinary share based on existing issued share capital as at the respective dates (cents) | 9.18 | 9.49 | 9.62 | 9.75 |
| Number of shares (issued and issuable) used in computing net asset value per ordinary share | 581,412,400 | 580,612,400 | 581,412,400 | 580,612,400 |

## 11. Property, Plant and Equipment

During the six months ended 30 June 2022, the Group acquired assets amounting to $389,000 (30 June 2021: $3,933,000). For the six months ended 30 June 2022, the Group also disposed assets amounting to $19,000 (30 June 2021: $Nil).

For the period under review, the Group's market capitalisation is lower than its net assets as at 30 June 2022. The Group performed an impairment assessment of its property, plant and equipment by determining the recoverable amount based on the value in use. This assessment requires significant judgement and take into account past performances, management's expectation of market developments, future cash flows and discount rates. The recoverable amount could change significantly as a result of changes in market conditions and the assumptions used in determining the recoverable amount. Management assessed that no impairment losses were necessary for the period ended 30 June 2022.

*Capital commitments of the Group are as follows:-*

*Construction of the Malaysia Fabrication Yard*

On 7 December 2021, the Group entered into a contract to construct a fabrication yard for RM9.2 million (equivalent to $3.0 million) of which RM1.0 million or $0.3 million has been incurred as at the reporting date.

*Proposed Investment in Pegasus Industrial Midwest Limited Liability Company ("PIM LLC")*

On 15 May 2022, the Company announced that it intends (subject to shareholders' approval at an extraordinary general meeting) to invest up to USD7.5 million (equivalent to $10.4 million at an exchange rate of 1USD to SGD1.38644) in a wholly owned subsidiary, PIM LLC in Illinois State, USA. Part of this investment will be used to acquire a property, USD3.0 million, to house its operations. It will offer specialised services such as repairs, coating and cleaning of heat exchanges and piping to the process and power industries.

An extraordinary general meeting is called on 5 August 2022 for shareholders to approve this proposed investment.

## 12. Investment Properties

The Group's investment properties consist of commercial properties, held for long-term rental yields and capital appreciation and are not occupied by the Group. They are leased to unrelated third parties under operating leases.

| Investment Properties | Group and Company | |
|---|---|---|
| | 2022 | 2021 |
| | $'000 | $'000 |
| At 1 January | 1,270 | 1,205 |
| Fair value gain/(loss) | - | - |
| At 30 June | 1,270 | 1,205 |

**Valuation**

The Group engages an external independent and qualified valuers to determine the fair value of the Group's investment properties at the end of each financial year. The fair value measurement for all the investment properties has been categorized as a Level 2 fair value based on direct comparison method.

For the six months ended 31 December 2021, the Group recognized a fair value gain of $65,000 on the investment properties.

For the period ended 30 June 2022, the Group did not engage an independent valuer to determine the fair value. However, management had taken into considerations those underlying factors that would have made impact to the fair value of the investment properties since the last valuation done in December 2021, including any tenant changes, assessing market rentals etc. For the period ended 30 June 2022, management assessed that there were no changes in the fair value of the investment properties.

## 13. Loans and Borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | 30 June 2022 | 31 Dec 2021 | 30 June 2022 | 31 Dec 2021 |
| | $'000 | $'000 | $'000 | $'000 |
| Amount repayable within one year | | | | |
| Lease liabilities (secured) | 533 | 543 | 486 | 515 |
| Bank loans | | | | |
| -secured | - | - | - | - |
| -unsecured | 1,232 | 1,219 | 1,232 | 1,219 |
| | 1,765 | 1,762 | 1,718 | 1,734 |
| Amount repayable after one year | | | | |
| Lease liabilities (secured) | 89 | 327 | 65 | 307 |
| Bank loans | | | | |
| -secured | - | - | - | - |
| -unsecured | 2,821 | 3,443 | 2,821 | 3,443 |
| | 2,910 | 3,770 | 2,886 | 3,750 |
| Total loans and borrowings | 4,675 | 5,532 | 4,604 | 5,484 |

The secured borrowings (including lease liabilities) are secured against the respective operating assets and right-of-use assets.

In 2020, the Company undertook a loan amounting to $5.0 million, that was part of the Singapore government's support given to local enterprises in response to the Covid-19 pandemic. The loan is unsecured, for a tenor of 5 years (ending 2025) and repayable on a monthly basis. Interest payments which commenced in August 2020 and principal repayment commencing in August 2021. The loan carries an interest rate of between 2.0% and 2.1% per annum. This is significantly below the Group's current borrowing cost.

## 14. Share Capital

| | Group and Company | | | |
|---|---|---|---|---|
| | As at 30 June 2022 | | As at 31 Dec 2021 | |
| | Number of shares '000 | Amount $'000 | Number of shares '000 | Amount $'000 |
| **Issued and paid-up share capital** | | | | |
| As at beginning and end | 581,546 | 26,254 | 581,546 | 26,254 |
| **Treasury shares** | | | | |
| As at 1 January | 934 | 65 | 1,422 | 92 |
| Purchase of treasury shares | - | - | 312 | 16 |
| Reissuance of treasury shares pursuant to share plan | (800) | (56) | (800) | (43) |
| As at the end | 134 | 9 | 934 | 65 |

The total number of issued shares excluding treasury shares as at 30 June 2022 was 581,412,400 (31 December 2021: 580,612,400).

The Company's subsidiaries do not hold any shares in the Company as at 30 June 2022 and 31 December 2021.

## 15. Subsequent Event

On 3 August 2022, Highbase (the ultimate debtor) paid RM774,000 equivalent to $244,000, via HIMS (intermediate debtor) to PAE M. The recoverability of this amount is part of the total amount of RM2.3 million or $724,000 owing from Highbase (refer to page 19 for details). Any recovery of balance amounts will result in a reversal of impairment loss on trade receivables.

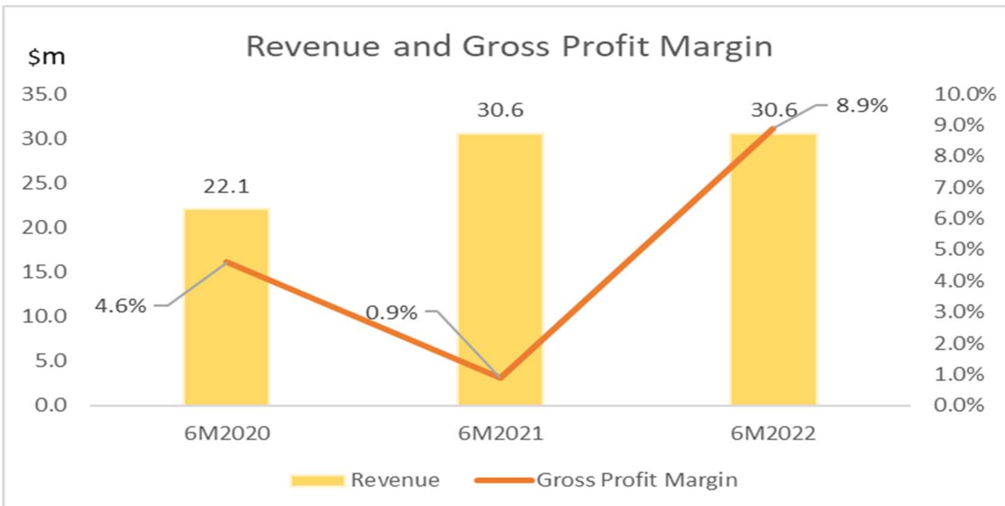
## F. Other Information Required by Listing Rule Appendix 7.2

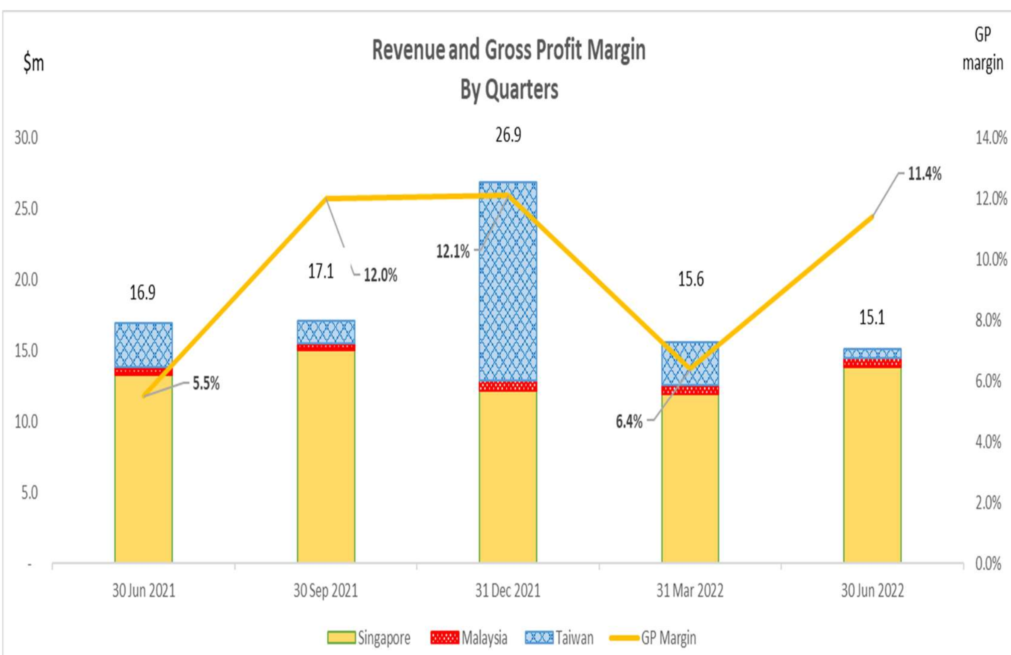
**1. Whether the figures have been audited or reviewed**

The condensed consolidated statement of financial position of Mun Siong Engineering Ltd and its related companies as at 30 June 2022 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

**2. Review of performance of the Group**

Revenue and Profitability



Group

Comparing the 6 months ended 30 June 2022 ("1H2022") and 30 June 2021 ("1H2021"), the Group's revenue was flat at $30.6 million. The circuit breaker (arising from Covid-19) caused significant backlog orders to be executed during the 6 months ended 30 June 2021. However, for the period 6 months ended 30 June 2022, the Group benefitted from the completion of CPC Talin Integrated Turnaround project ("CPC Talin"), which commenced in Q42021.

For Q22022, it achieved a revenue of $15.1 million as compared to a revenue of $16.9 million in Q22021. A decline of $1.9 million or 11.2% mainly due to the absence of higher dollar project value from the Taiwan operation in the current quarter. In the corresponding quarter (Q22021), CPC Taoyuan Integrated Turnaround project ("CPC Taoyuan") contributed $3.5 million to revenue.

In 1H2022, the Group achieved a gross profit and gross profit margin of $2.7 million and 8.9% respectively. This is a significant improvement compared to 1H2021. For that period (1H2021), the Group achieved a gross profit of $0.3 million and a gross profit margin of 0.9%.

The better performance in the current period was due to: -

(i) Completion of certain projects in Q22022 and finalization of variation orders for certain projects completed in 2021 by the Singapore operations; and

(ii) Significant reduction in subcontracting costs arising from the Singapore operations. In 1H2021, we had to engage more subcontractors to supplement our direct employed workforce. We were unable to increase our direct employed work force due to border closure and debarment by the Ministry of Manpower, which was lifted on 30 June 2021. In sharp contrast, the period under review, we were able to increase our direct employed work force and resulting in significant reduction in utilization of subcontractors.

*Singapore operations*

For the 1H2022, the Singapore operations registered a revenue of $25.7 million, a decline of $0.6 million or 1.9% against the corresponding period. The period under review did not have the benefit of significant backlog orders, like those carried forward from FY2020 into 1H2021.

However, the Singapore operations registered a revenue of $13.8 million in Q22022, an increase of $0.5 million or 3.4% against the corresponding quarter. The increase was due to completion of certain projects in the current quarter.

The Singapore operations continue to receive good volume of work from its business partners. The significant reduction in utilization of subcontractors (by 59.5%), arising from increase in our direct employed workforce, has resulted in significant improvements in profitability, both gross profit and margin. Besides this, the finalization of variation orders relating to works completed in FY2021, added to improvements in profitability.

*Malaysia operation*

The Malaysia operation continues to show a consistent gradual improvement in revenue – achieving a revenue of $1.3 million in the current period (1H2022), an improvement of $0.4 million or 38.2% against 1H2021. The higher revenue was attributable to more job opportunities from the Pengerang plants and facilities as the plant began its start up to increase production output. Despite the improvements in revenue, which is encouraging, its contribution to the Group's revenue is insignificant for the current period.

*Taiwan operation*

The Taiwan operation registered a revenue of $3.6 million in the 1H2022 as compared to a revenue of $3.5 million in 1H2021. This represented an increase of $0.1 million or 4.2%.

In Q22021, revenue from the Taiwan operation were from CPC Taoyuan project - $3.5 million. This project since has been completed and handed over to CPC in 2021.

In Q12022 of this year, we completed the CPC Talin project in January 2022 (work commenced in Q42021). Based on our revenue recognition policies, revenue for this project in Q12022 was $2.7 million. As at 30 June 2022, a total of $17.4 million of revenue for this project was recognized. The finalization of this project value will be completed by 30 September 2022.

Following the allegations of bribery against a former consultant of the Taiwan Branch Office, CPC (the business partner) has imposed penalties on the Branch Office. These penalties include the demand for the return of the bid deposits, penalties and a 3-year suspension. This despite the fact that neither the Company and Branch Office (including its officers) have been named in any indictment nor been informed that it is the subject of investigations by any prosecutorial authority in relation to any bribery allegations charges. We understand that CPC has relied on the press release (dated 25 May 2022) made by the Qiaotou District Prosecutor's Office in Kaohsiung (Taiwan). The Company/Branch Office has made written appeals to CPC and will pursue available avenues to appeal against the penalties imposed. Please refer to our announcements dated 21 June 2022 and 12 July 2022.

The monetary penalties claimed by CPC against the Branch Office are based on two completed projects, CPC Talin and CPC Taoyuan. Revenue recognized on these projects were $8.2 million and $3.5 million respectively. The return of the bid deposits and penalties amount to TWD5.29 million or $252,000 and TWD1.88 million or $90,000 respectively, in aggregate TWD7.17 million or $342,000. The Group has made provision for the total amount in 1H2022.

For 1H2022, the Taiwan operations registered a gross loss of $0.3 million in contrast to a gross profit of $0.1 million in 1H2021. The losses arise from the above provisions of $342,000. In the absence of this provision, the Taiwan operations would have returned an adjusted gross profit of $30,000 for 1H2022 compared to a gross profit of $0.1 million in 1H2021.

Other income and recoveries (decreased by $1.2 million)

In 1H2021, we recovered $1.1 million from the various government agencies in relation to the relocation of our direct employed workforce from dormitories to hotels due to the Covid-19 outbreak among the dormitories. In 1H2022, the Group did not receive any such support from the relevant government agencies.

Excluding the above recovery of $1.1 million, other income and recoveries declined by $92,000 or 23.8%. The decline was due to lower sales of scrap and lesser amount of grants received in the current period.

Administration (increased by $1.8 million)

The Group has made additional impairment to the contract assets for the Malaysia operation. For 1H2022, the additional impairment made amounted to $884,000, in aggregate $1.5 million (in 2H2021: $782,000. No impairment made in 1H2021).

The impairment is due to delays in the assignment of the master contract award dated 1 March 2019 from Petronas to HIMS, the joint venture legal entity between the Company and Highbase. The master contract award has since 27 January 2022 been assigned to HIMS and Petronas would then issue its purchase orders to HIMS with effect from 1 April 2022. Payments for these purchase orders would be received by HIMS, where the Company has been afforded joint management control (e.g. bank account) under the HIMS shareholders' agreement.

Prior to the assignment, the purchase orders from Petronas were issued to Highbase (the local partner). Payments for these purchase orders were made to Highbase (the local partner as specified by Petronas), which currently is in financial difficulties and has applied to the Kuala Lumpur Court to enter into judicial management on 19 May 2022. PAE M has stopped invoicing Petronas for work completed since November 2021. This unbilled completed/on-going works (including additional work orders) forms the impairment of these contract assets. Despite our request, Petronas did not accede to payments of these purchase orders issued by them prior to 1 April 2022 to be paid to HIMS.

Excluding the above impairment made on contract assets, administration costs increased by $0.9 million. The increase is due to increase in higher salaries costs (increase in headcount and salary increments), higher legal costs (Malaysia and Taiwan Branch Office) and increase in administration expenses due to increase in job activities.

*Update on amount owing by Highbase of RM2.3 million ($724,000) and contract assets arising from work done for Petronas of RM 4.7 million ($1.5 million)*

On 29 April 2022, HIMS submitted a writ of summons to the Kuala Lumpur Court to recover RM2.3 million ($724,000) from Highbase. On 19 May 2022, Highbase filed in an originated summons to the Kuala Lumpur Court for a Judicial Management Order. As the application has a restraining effect on the HIMS action, our Malaysia legal counsel, has filed an application to seek leave to proceed with the HIMS action and also if needed, to object to HIMS being placed under the scheme of arrangement proposed by Highbase. HIMS will resume the writ of summons to recover the sums owed when leave of court is given or when permitted by law. The recoverability by PAE M will depend on the outcome of the applications filed by HIMS unless a settlement is achieved prior.

Please refer to our announcements dated 23 February 2022 (FY2021 full year results) and 15 May 2022 (Q12022 performance guidance).

Other operating expenses / (income)

In the current period, we incurred an exchange loss of $210,000 (mostly unrealized) as compared to an exchange gain of $121,000 (mostly unrealized) for the corresponding period. The current period exchange losses arose from the weakening of both Malaysia Ringgit (RM) and Taiwan dollars (TWD) against the SGD dollars.

Finance income (increased by $15,000)

The higher finance income earned in the current period was due to higher cash balances placed in interest bearing deposits and the correspondingly higher interest rates on these deposits.

Finance costs (decreased by $12,000)

The interest rates on our existing Temporary Bridging Loans (interest rates: 2% to 2.1% p.a.) and finance leases are at fixed rates.

The lower finance costs incurred in current period was due to the monthly repayment of the principal loan amount. No new loans were undertaken during the period.

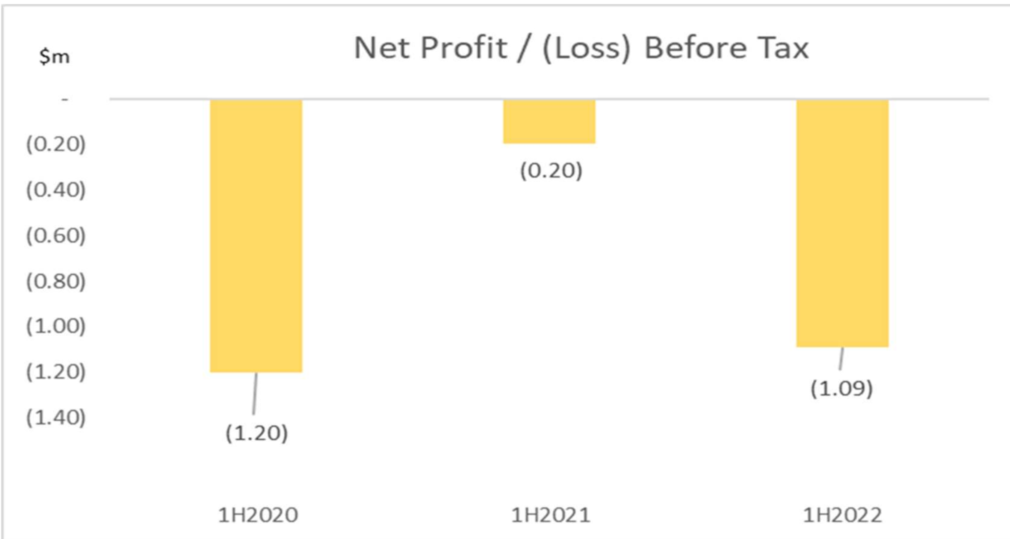
Tax expense (increased by $8,000)

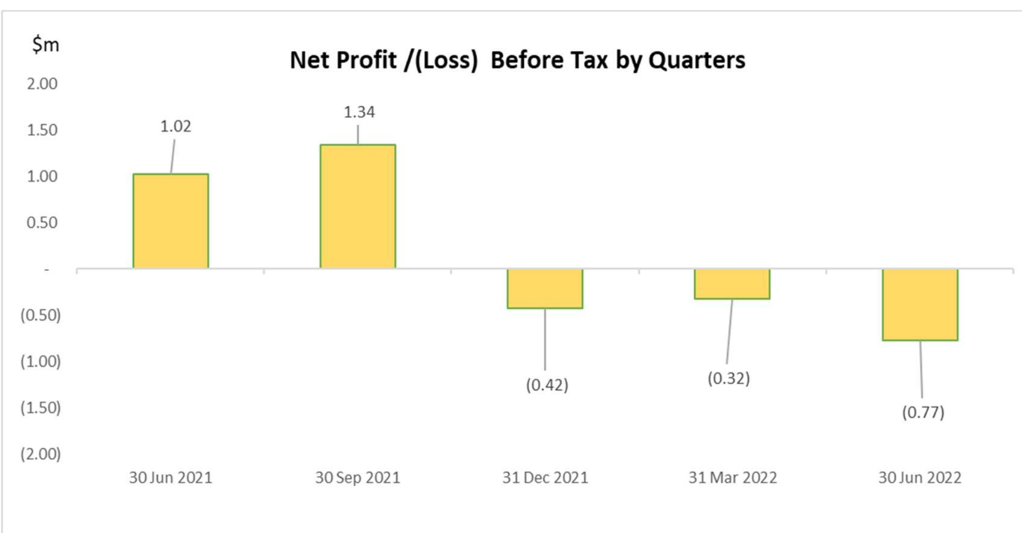
Despite the Group incurring an operating loss, it has provided for tax expense of $229,000 for the current period. This is due to certain expenses that are either non-tax deductible or timing differences - accruals yet to materialize as well as timing of receipt of value added tax invoices.

There is also under provision of prior year tax of $73,000 for 1H2022 as compared to under provision of prior year tax of $200,000 in 1H2021.

We also made a deferred tax liability provision of $28,000 in the current period (1H2021: $52,000).

Current period performance



| | 1H2022 | 1H2021 |
|---|---|---|
| | $'000 | $'000 |
| **Net profit /(loss) before tax** | **(1,090)** | **(241)** |
| Add /(less) – non-recurring items | | |
| Taiwan – provision for monetary penalties | 342 | - |
| Malaysia - impairment of contract assets | 884 | - |
| Recovery from decanting costs | - | (1,117) |
| **Adjusted net profit /(loss) before tax** | **136** | **(1,358)** |
| Add / (less) | | |
| Depreciation | 1,577 | 1,649 |
| Finance Costs | 67 | 79 |
| **Adjusted EBITDA** | **1,780** | **370** |

*EBITDA: earnings before interest, tax, depreciation and amortization*

Two significant events, additional provisions for contract assets (Malaysia operations) and penalties (Taiwan operations), in aggregate $1.2 million has resulted in the Group incurring a higher operating loss of $1.1 million compared to an operating loss of $0.2 million for the corresponding period. In the absence of these significant events, the Group would have turned in a profit before taxation of $0.1 million for 1H2022.

In 1H2022, on an EBITDA basis, the Group registered $0.6 million as compared to EBITDA of $1.5 million in 1H2021.

For the Q22022, the Group incurred a net loss before tax of $0.8 million (Q22021: net profit before tax of $1.02 million). Excluding the significant events, the Group would have turned in a profit before taxation of $0.5 million for Q22022.

Review of statements of financial position

(i) Property, plant and equipment
*Group: decreased by $1.3 million*
*Company: decreased by $1.5 million*

Property, plant and equipment includes right-of-use assets. The decrease was due mainly to depreciation expenses of $1.6 million (Company level: $1.5 million). This is offset by the additions of fixed assets of $0.3 million, substantially arising from the construction costs incurred for our Malaysia fabrication yard.

(ii) Investment in subsidiaries *(decreased by $2.6 million)*

The Company redeemed the redeemable convertible preference shares of $2.6 million in Pegasus Advance Engineering Sdn Bhd. Please refer to our announcement dated 27 May 2022.

(iii) Contract assets
*Group: decreased by $2.0 million*
*Company: decreased by $2.2 million*

Contract liabilities
*Group & Company: decreased by $0.4 million*

For the 1H2022, the Group made an additional impairment of $884,000 (31 December 2021: $782,000; 1H2021: $Nil) on the contract assets for our Malaysia operations. Please refer to page 18 - administration section for explanation. In aggregation, these impairments amounted to $1.5 million. Arising from the contract entered into between HIMS and Petronas on 27 January 2022, payments for purchase orders issued after 1 April 2022 will be received by HIMS.

In the absence of the above additional impairments, the contract assets would have decreased by $1.3 million. The increase in billings by the Singapore operations and the lower work activities in the Taiwan operation led to the decrease.

The lower contract liabilities were due to lesser advances received from our customers due to completion of certain project by the Singapore operations during the period under review.

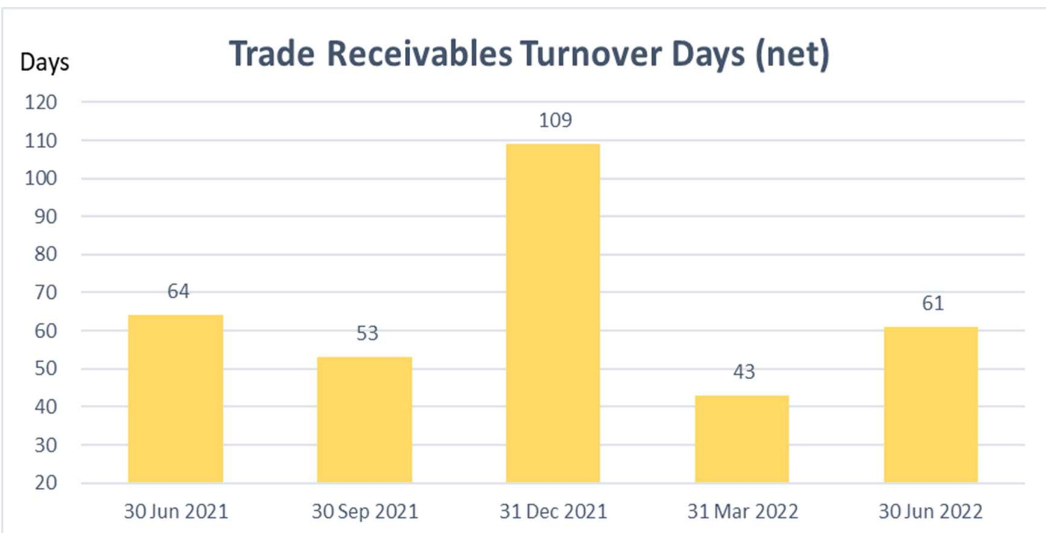
(iv) Trade and other receivables
*Group: decreased by $11.1 million*
*Company: decreased by $5.2 million*

As at 30 June 2022, the Group trade receivables balances were $10.2 million (31 December 2021: $22.3 million; 30 June 2021: $10.7 million). The lower trade receivables were attributed to receipts.

Impairment has been made on the amount due from HIMS (in which Highbase is the ultimate debtor). As at 30 June 2022, 31 December 2021 and 30 June 2021 the impairment balances were $724,000, $571,000 and NIL respectively. Please refer to page 18 – administration section for explanation.

As at 28 July 2022, $4.3 million or 42.4% of trade receivables as at 30 June 2022 has been received.

Trade receivables turnover as at 30 June 2022 is 61 days continues to be comparable with the trade receivables turnover as at 30 June 2021.




The Group's other deposits and receivables increased by $965,000 due to (i) increase in advance payments or deposits to certain suppliers for certain raw materials and equipment, (ii) increase in dormitories deposits and (iii) higher prepayments in current period.

At the Company level, trade and other receivables declined by $12.3 million due to receipts of trade receivables. This is offset by the increase in other deposits and receivables of $903,000 (as per above explanations) and increase in amount due from subsidiaries of $6.2 million, for their working capital purposes.

(v) Trade and other payables
*Group: decreased by $10.6 million*
*Company: decreased by $10.2 million*

The decrease in trade and other payables is mainly due to payment to our vendors.

(vi) Loans and borrowings
*Group& Company: decreased by $0.9 million*

Loan and borrowings comprise of the temporary bridging loan and lease liabilities.

The decrease in loans and borrowings were due to repayment of principal amount for the temporary bridging loan and lease liabilities. The Group did not undertake any additional loans in the 1H2022.

As at 30 June 2022, our gross debt ratio was at 8.8% (31 December 2021: 10.0%; 30 June 2021: 11.4%)

(vii)Tax payable
*Group: increased by $68,000*
*Company increased by $90,000*

The increase is due to higher tax provisions made as at 30 June 2022.

(viii)Treasury shares *(decreased by $56,000)*
Share-based compensation reserve *(increased by $16,000)*

Reissuance of 800,000 treasury shares during the year under the Group's Performance Share Plan. The Group recognized $40,000 of share-based compensation expense in the 1H2022.

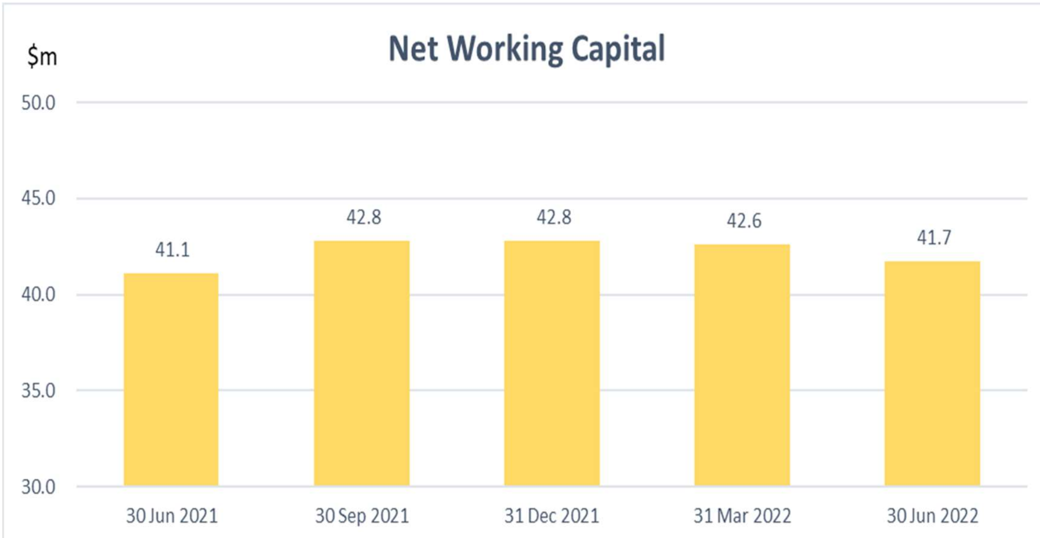
The Company did not purchase any treasury shares in the 1H2022.

Review of cash flow statement

The Group reported a cash balance of $36.0 million as at 30 June 2022. An increase of $1.0 million as compared to 31 December 2021.

| | $ million |
|---|---|
| Net cash generated from operating activities | 2.5 |
| Net cash used in investing activities | (0.3) |
| Net cash used in financing activities | (1.3) |
| Effect of exchange rate fluctuations | 0.1 |
| Net increase in cash balances | $1.0 |

There was a decline of cash balances of $0.6 million at the Company level - providing working capital support to the subsidiaries.




Net working capital (current assets less current liabilities) was $41.7 million as at 30 June 2022. The decline of $1.1 million from 31 December 2021 was mainly due to the additional impairment of contract assets of $0.9 million as mentioned above.

**3. 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.

**4. 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 operating period and the next 12 months**

The fear of stagflation, high unemployment and inflation, continues to make its rounds in the financial markets. To overcome inflation, the weapon of choice by central banks, is increasing interest rates. However, increasing interest rates would increase the cost of borrowings, which has a dampening effect on economic activities, in particular capital expenditures and investments. These will have a direct impact on the Group's profitability as we are dependent on our business partners' spendings for revenue.

*Singapore operations*

A significant business partner, that the Group serviced for more than 50 years, has renewed their maintenance contract to provide specialized services (retubing and hydro jetting services) for a further 5 years period. To broaden our relationship with this business partner, we are in discussions to provide our tankage services.

Jobs opportunities continue to avail to the Group. However, the constraints to increase the numbers in our direct employed workforce, has hindered us from taking up such opportunities. We foresee that the gradual reduction in dependency ratio (announced by the Singapore government) – ratio of local workers to foreign workers – would weigh against us in increasing our direct employed workforce. This will serve as a catalyst for our operation teams to embark on a work plan transformation to improve the productivity of the workforce and continue to evolve with the changing environment.

A suitable site to house our current operations has been identified and we are in advanced negotiation stage with the vendor. The land area of this identified site is smaller than the existing site at 35 Tuas Road. JTC has mentioned to us that no lease extension will be granted at the existing site. The Group is exploring possibilities that certain activities could be undertaken at our Johor's fabrication facilities when it is completed by end of 2023. This may overcome both labour shortages and better management of production costs.

*Malaysia operation*

We will continue with our effort to engage the management team of our business partner at Pengerang to secure more jobs as the Plants are gradually starting up to increase production output.

The construction of the fabrication yard, which is close to the Pengerang facilities, is expected to be completed by end of 2023. This facility will support job opportunities from the Pengerang facilities as well as our Singapore operations.

*Taiwan operation*

Please refer to our announcements on the Update on Taiwan Investigations dated 21 June 2022 and 12 July 2022.

Despite the possibility of a 3-year suspension to be imposed by CPC, a major business partner in this market, the Taiwan Branch has continued with its efforts to reached out to other plants and facilities operators.

Our Internal Auditor has commenced its internal audit review on the Taiwan Branch Office. They will provide recommendations, where appropriate, to further enhance internal control processes and procedures. It should be noted that this review is undertaken by the Company on its own accord.

*Proposed US Investment*

The Company will be holding an extraordinary general meeting on the 5 August 2022 to seek shareholders' approval for the proposed investment of up to USD7.5 million in Pegasus Industrial Midwest Limited Liability Company, a wholly owned subsidiary. This entity will extend the Group's reach to the North American market, initially in the Midwest region. It will provide specialized services such as repairs, coating and cleaning of heat exchanges and piping. These services are one of the Group's core competencies.

*Working Capital*

The Group in recent years have made a number of major capital commitments to expand its reach. These include the acquisition of land and construction of the fabrication facilities in Johor (RM16.0 million or $5.1 million) and increase in the paid up share capital of Pegasus Industrial Midwest Limited Liability Company (USD7.5 million or $10.4 million) pertaining to the Proposed US Investment. These in aggregate is $15.5 million. In the event that the Company acquires the land and building in Singapore, further capital commitment would have to be made.

These capital commitments have been substantially funded by internal resources. To fund its working capital needs, it may have to draw down on credit facilities extended by financial institutions. In current rising interest rate environment, profitability will be negatively impacted.

**5. Dividend Information**

No dividend has been declared or recommended for the period ended 30 June 2022. This is in line with previous financial year practice that proposed dividends are declared on a full financial year basis.

**6. Interested person transactions**

The Group has not obtained a general mandate from shareholders of the Company for Interested Person Transactions.

**7. Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)**

The Company has received undertaking from all its directors and executive officers in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual of the SGX-ST.

**8. Confirmation by the Board**

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the six-month period ended 30 June 2022 to be false or misleading in any material aspect.

On behalf of the Board of Directors

| | |
|---|---|
| **Cheng Woei Fen**<br>**Executive Chairlady** | **Quek Kian Hui**<br>**Executive Deputy Chairman** |

**4 August 2022**