MUN SIONG ENGINEERING LIMITED
(Incorporated in Singapore)
(Company Registration No 196900250M)
35 Tuas Road, Jurong Town, Singapore 638496
Tel. +65 64116570
Fax +65 68620218

GUIDANCE TO THE FINANCIAL PERFORMANCE AND POSITION OF THE GROUP FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2022

Mun Siong Engineering Limited (the "**Company**"), together with its subsidiaries and equity-accounted investee (the "**Group**"), wishes to provide guidance on its third quarter financial performance ended 30 September 2022.

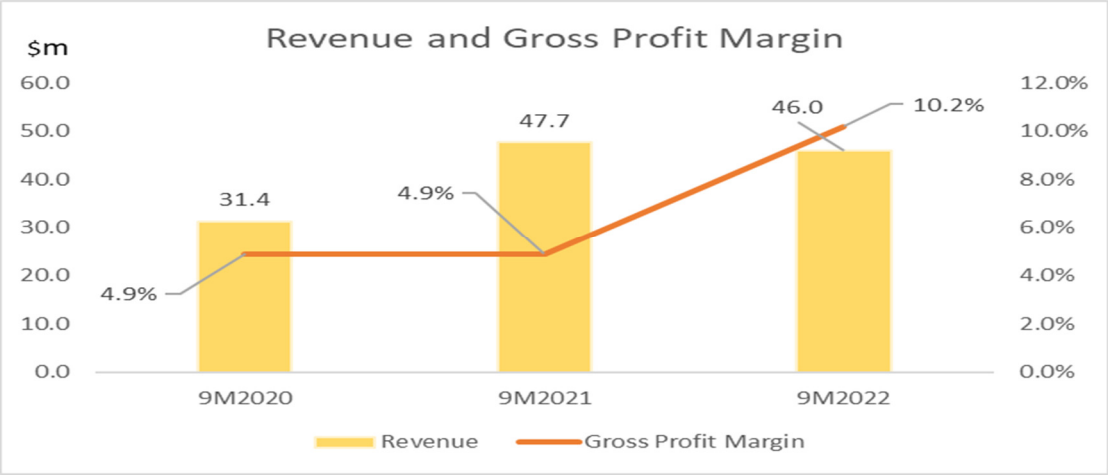
The Group had on 20 February 2020 announced that it will discontinue with quarterly reporting of the Company and the Group financial statements. The Company will now announce the financial statements of the Company and the Group on a half-yearly basis, as in compliance to the amended listing rules, announced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

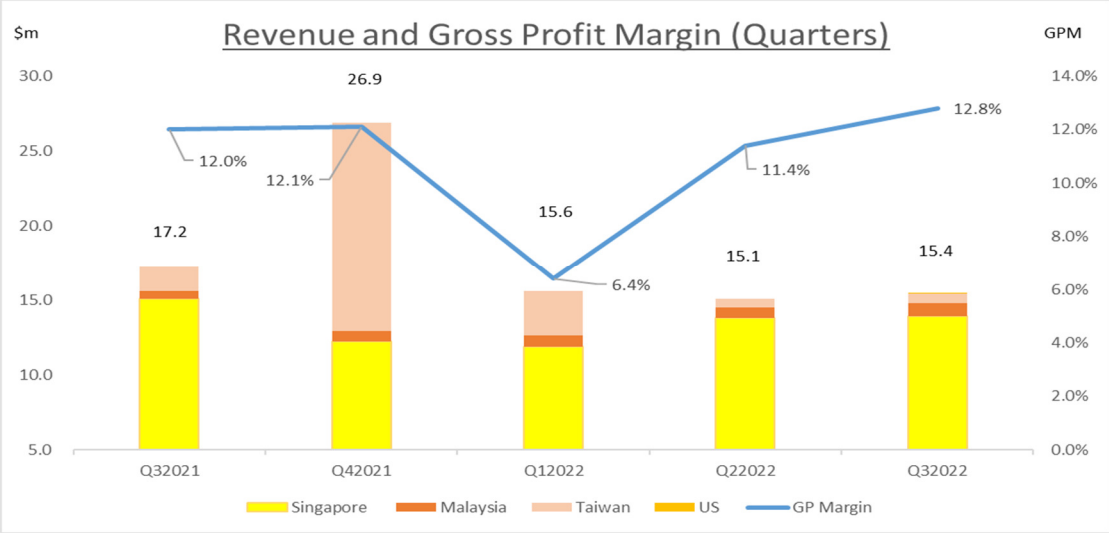
The Board of Directors would like to provide guidance on the Group's financial performance and position in view of the current uncertain economic environment. This guidance is part of our continuous engagement between the Board of Directors and the various stakeholders such as shareholders, investors,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

It should be noted that the information below is based on the Group's management accounts and they were prepared on the accounting principles described and consistent with the Group's Annual Report FY2021. 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 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 period ended 30 September 2022 ("9M2022"), the Group achieved a revenue of $46.0 million, a decrease of $1.7 million or 3.6% against the corresponding period ended 30 September 2021 ("9M2021"). The lower revenue was from both Taiwan and Singapore operations. Taiwan operation was doing smaller dollar value jobs (absence of high dollar value jobs) during the period. Taiwan operation's revenue declined by $0.9 million in the current period to $4.2 million. Singapore operations also registered a decline in revenue of $1.7 million in the current period to $39.5 million. The decline was due to fewer projects executed in the current period as compared to the previous period.

The cost of sales also decreased by $4.0 million or 8.9% to $41.3 million in the current period. The larger percentage decline, besides the decline in revenue, is also due to a significant reduction in subcontracting costs.

Gross profit was $4.7 million (9M2021: $2.3 million) and gross profit margin was 10.2% (9M2021: 4.9%) in the current period. The higher gross profit and margin in the current period was mainly due to significant reduction in subcontracting costs arising from the Singapore operations. In 9M2021, we had to engage more subcontractors to supplement our direct employed workforce. In 2021, we were unable to increase our direct employed workforce due to border closure and

debarment by the Ministry of Manpower, which was lifted on 30 June 2021. In sharp contrast, for 9M2022, we were able to increase our direct employed workforce and resulting in significant reduction in utilization of subcontracting costs.

For the current quarter ended 30 September 2022 ("Q32022"), the Group recorded a revenue of $15.4 million, a decrease of $1.7 million or 10.1% against the corresponding quarter ended 30 September 2021 ("Q32021"). The decrease in revenue mainly came from both the Singapore and Taiwan operations. For the Singapore operations, the decline in revenue of $1.2 million or 8.1% was due to fewer execution of projects in the current quarter. The decline in revenue of $1.0 million or 63.7% in Taiwan operation was due to absence of higher dollar jobs in the current quarter.

The cost of sales decreased by $1.6 million or 10.8% to $13.4 million in the current quarter. The decline in cost of sales is in line with the decline in revenue.

The Group generated a gross profit of $2.0 million (Q32021: gross profit $2.1 million) and positive gross margin of 12.8% (Q32021: positive gross margin of 12.0%) in the current quarter.

Singapore Operations:

The Singapore operations registered a revenue of $13.9 million in Q32022, a decline of $1.2 million or 8.1% from the corresponding quarter. Please refer to the above, for explanation for the decline in revenue. Singapore operations registered positive gross profits in both Q32022 and Q32021.

Malaysia Operations:

The Malaysia operations continue to show a consistent gradual improvement in revenue – achieving a revenue of $0.9 million for Q32022 as compared to $0.5 million in Q32021. This represented an increase of $0.4 million or 83.9%. The higher revenue was attributed to more job activities at the Petronas's Pengerang facilities. Despite the improvements in revenue, which are encouraging, its contribution to the Group's revenue continues to be insignificant.

The Malaysia operation continues to build up its direct employed work force and will place less reliance on subcontractors. Our newly hired direct employed workforce are undergoing on-job-training and more time is needed before they are able to execute their jobs efficiently. Due to this, Q32022 suffered negative gross profit margin as compared to positive gross profit margin in Q32021.

Update on the amount due from HIMS Integrated Services Sdn Bhd ("HIMS") (the intermediate debtor) and Highbase Strategic Sdn Bhd ("Highbase") (the ultimate debtor).

Please refer to results announcement dated 23 February 2022 and 4 August 2022 and guidance performance dated 15 May 2022, for the background information.

As at 30 June 2022, we have made full impairment provision for the amount of RM2.3 million (trade receivables) and RM4.7 million (contract assets).

To recap, on 29 April 2022, HIMS has filed a writ of summon in the Kuala Lumpur Court to recover the trade receivables and as at 30 September 2022, there is about RM0.5 million (representing 20% of the total receivables amount of RM2.3 million) remains outstanding. We

have written back RM1.8 million of impairment loss on trade receivables for the sums received in Q32022. As for the contract assets, we are being or to be paid by Petronas under the assignment given by Highbase. Upon receipt of the payments, we will write back the impairment on the contract assets in respect of such sums received.

Taiwan Operations:

Revenue declined by $1.0 million or 63.7% in the current quarter to $0.6 million.

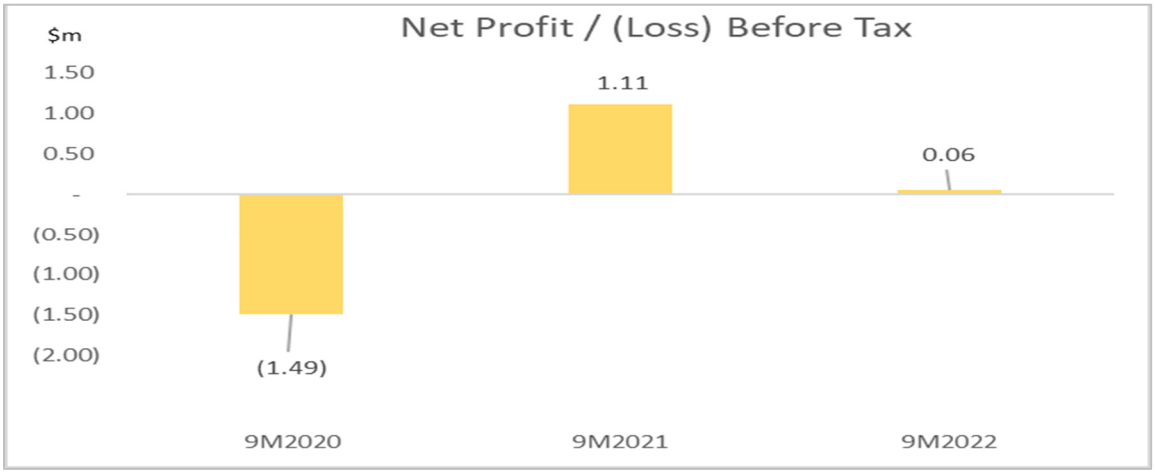
We have yet to finalize the CPC Kaohsiung Turnaround project which was completed at the end of January 2022. The finalization of this contract has been further delayed to the fourth quarter of FY2022. The delay was due to more documentation required by CPC in which we have substantially furnished. To-date the total revenue recognized for this project, over Q12022 and FY2021 is $17.1million. In line with SFRS (Singapore Financial Reporting Standards), all costs incurred to-date have been recognized.

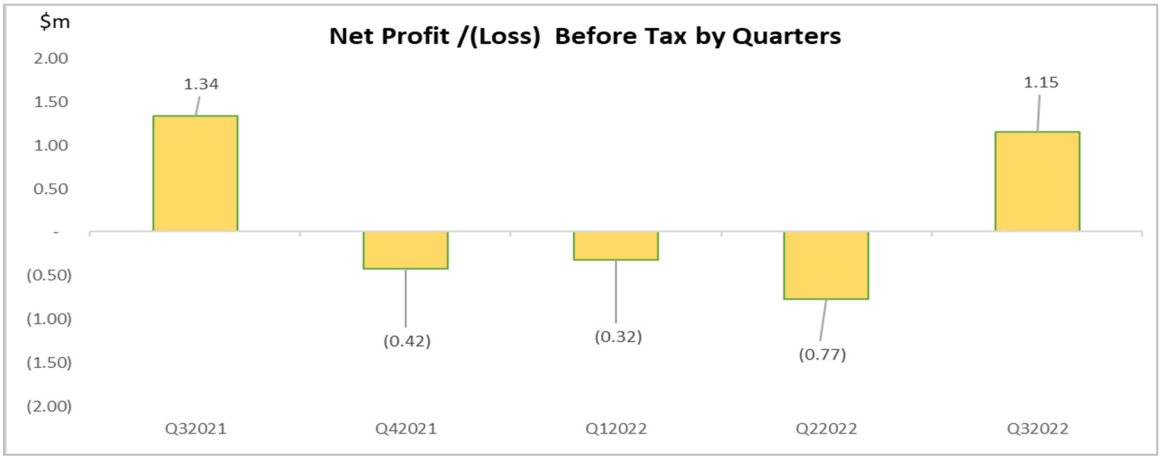
Taiwan operations incurred gross loss in both quarters as revenue is unable to absorb both variable and fixed costs.

US operations:

We registered a maiden revenue of $0.1 million in the month of September 2022. We have embarked on small fabrication jobs.

Net profit /(loss) before tax:





Comparing Q32022 and Q32021, other income and recoveries declined by $0.2 million or 51.1%. The decline was due to lower sales of scrap and lesser grants received in the current quarter.

Administration costs declined by $0.1 million or 10.2% to $1.0 million in the current quarter. During Q32022, the Group was able to recover $0.6 million from the ultimate debtor- Highbase via the intermediate debtor- HIMS. This recovery has resulted in the reversal of impairment provision made in FY2021.

Excluding the reversal of impairment provision, comparing Q32022 and Q32021, adjusted administrative costs rose by $0.5 million or 39.8% in the current quarter. The increase was due to higher salary costs (salary adjustments and higher headcount). We also incurred higher professional fees (mostly legal costs) in the current quarter.

Taiwan Dollar and Malaysia Ringgit weakened significantly against Singapore dollars in the current quarter. Hence, we incurred an unrealized exchange loss of $0.2 million in the current quarter as compared to an unrealized gain of $0.1 million in Q32021.

As mentioned earlier, HIMS (equity accounted investee) was able to recover its impaired trade receivable balances from Highbase. Similarly, HIMS also wrote back its impairment loss on amount due from Highbase. This resulted in higher profits of $0.1 million from our equity accounted investee in the current quarter.

The Group recorded a net profit before tax of $1.1 million in Q32022 as compared to $1.3 million in the corresponding quarter.

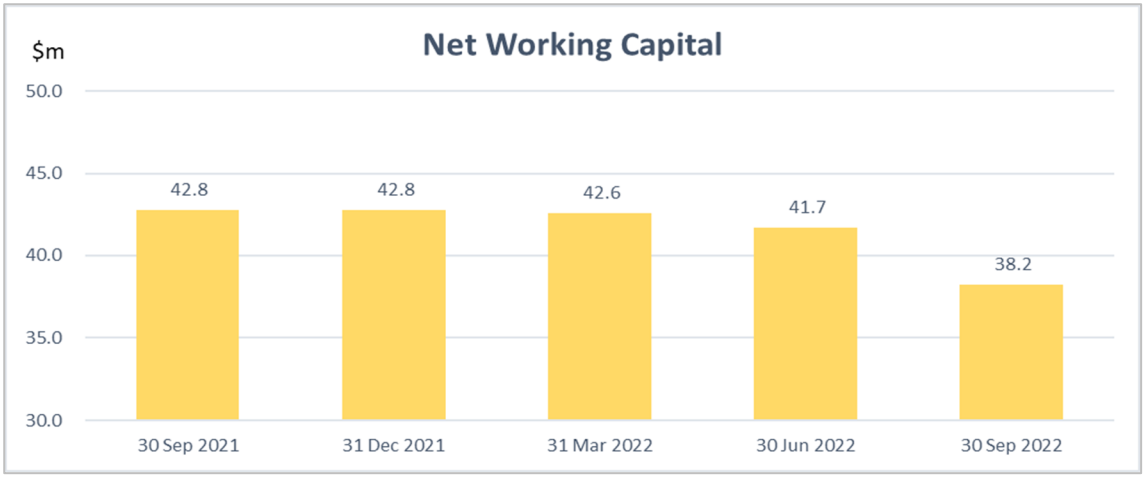
For the 9M2022, the Group achieved a net profit before tax of $58,000 as compared to a net profit before tax of $1.1 million in 9M2021. Please refer to table below for the normalization of material provisions we made in the current period as well as the corresponding period:

$' million	9M2022	9M2021
Net profit before tax	**0.06**	**1.1**
Add /(less)		
Taiwan – provision for monetary penalties (note 1)	0.3	-
Malaysia – impairment of contract assets (note 1)	0.9	-
Malaysia – write back of impairment loss on trade receivables pertaining to Highbase	(0.6)	-
Singapore – less recovery of decanting costs (note 2)	-	(1.0)
Adjusted net profit before tax	**0.66**	**0.1**
note 1: refer to 1H2022 results announcement dated 4 August 2022		
note 2: refer to 1H2021 results announcement dated 5 August 2021		

Adjusted net profit before tax for 9M2022, the Group would have achieved a profit of $0.66 million (9M2021: $0.1 million) in the current period.

Review of financial position of the Group as at 30 September 2022

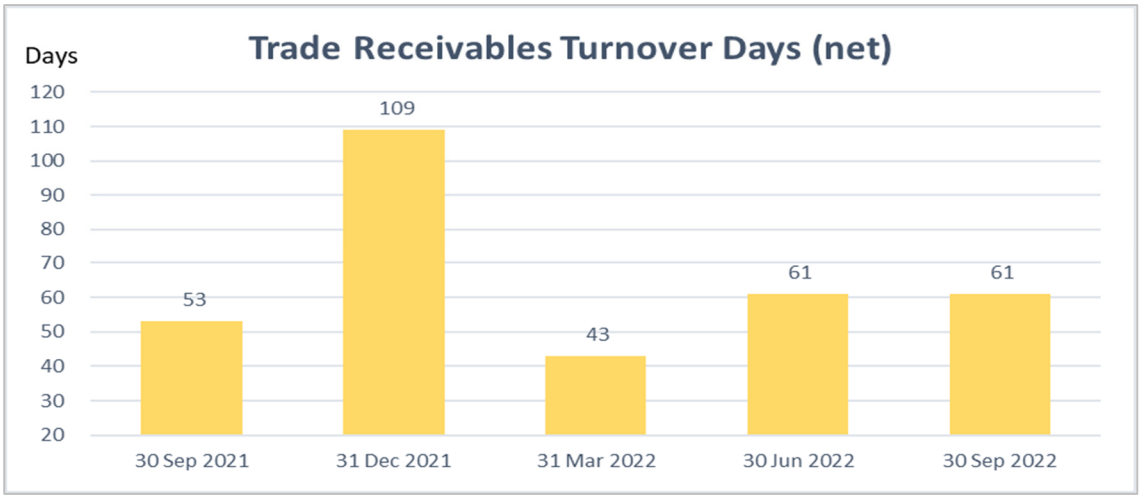
As at 30 September 2022, the Group's shareholders' funds stood at $54.6 million (31 December 2021: $55.1 million and 30 September 2021: $55.3 million). The net tangible assets per share as at 30 September 2022 was 9.4 cents (31 December 2021: 9.5 cents per share).



Net working capital (current assets less current liabilities) as at 30 September 2022 was $38.2 million (31 December 2021: $42.8 million). The decline in net working capital by $4.6 million or 10.7% were due to the following:

Changes in net working capital between 30 September 2022 and 31 December 2021			
		$' million	Variances
Contract assets	↓	1.56	Mainly from lesser job activities and absence of higher dollar value projects from the Taiwan operation in the current period.
Trade receivables	↓	12.08	Mainly due to collections from customers
Other deposits and receivables	↑	2.85	Deposits ($1.2 million) placed with suppliers for the purchase of equipment for the Singapore and US operations. Deposits and stamp duty paid (total: $1.4 million) for the proposed purchase of property at 26 Gul Way.
Bank and cash	↓	5.60	Payments made for the purchase of US land and building and equipment (total: $4.5 million) for the US operation. Construction in progress for the Malaysia Fabrication yard ($0.8 million). Deposit and stamp duty paid for 26 Gul Way ($1.4 million), deposits of $1.2 million for the purchase of equipment and loan and lease liabilities repayments of $1.4 million. Payments offset by increase in net receipts from customers.
Contract liabilities	↓	(0.6)	Less advance billings received from customers for the existing projects.
Trade and other payables	↓	(10.93)	Mostly due to payments to suppliers.
Others	↓	(0.26)	Consists of inventories, and tax provisions
Net changes	↓	4.6	

Trade receivables (net of impairment) as at 30 September 2022 was $10.2 million (31 December 2021: $22.3 million and 30 September 2021: $12.2 million). Refer to the above table for the decline in trade receivables between 30 September 2022 and 31 December 2021. As at 26 October 2022, the Group realized $4.0 million or approximately 38.9% of its outstanding trade receivables as at 30 September 2022. No impairment deemed necessary for the remaining outstanding trade receivables.



The bank and cash balances as at 30 September 2022 stood at $29.5 million (31 December 2021: $35.1 million and 30 September 2021: $32.8 million). Refer to the above table for the decline of $5.6 million between 30 September 2022 and 31 December 2021.

Total Borrowings including lease liabilities as at 30 September 2022 was $4.2 million (31 December 2021: $5.5 million and 30 September 2021: $5.9 million). The Group did not take on additional bank loan borrowings in 2022. As at 30 September 2022, our gross debt ratio was 7.7% (31 December 2021: 10.0% and 30 September 2021: 10.7%).

Operating Environment

Business overview

The escalating tension between US and China and Russia-Ukraine conflict continue to fuel uncertainty to both financial and commodity markets. Escalation in energy prices, disruptions to productions and consequently supplies, have led to substantial increases in prices. The US Federal Reserve has taken the lead to raise interest rates several times over the last 6 months.

Both these developments, rising interest rates and volatile energy prices, may cause our business partners to adopt a more cautious stance towards to capital investments or operating expenditures - affecting our revenue.

Financial overview

The Group has made three substantial capital commitments in the last 12 months. These include the proposed acquisition of 26 Gul Way, construction of fabrication facility at Johor (Malaysia) and increasing the paid-up share capital of PIM. In total these commitments amounted to $28.7 million in which $9.0 million have been spent as at 30 September 2022. These commitments have been funded by internal financial resources. In the event that there are shortfalls in working capital, the existing credit facilities from financial institutions would have to be utilized. Should this be insufficient, the Group will have to seek additional credit facilities from existing and new financial institutions. Under such circumstances, the financial risk of the Group will increase and additional/new financial covenants will be imposed on us. Both this and the increase in interest expense (especially in raising interest rates environment) will have negative impact on profitability and consequently on dividend pay outs.

The reversal of impairment provisions from the Malaysian operations and the revenue arising from CPC Kaohsiung Turnaround project (which is yet to be finalized) will have significant influence on the Group's financial performance for FY2022.

Operating units

Singapore

Maintenance jobs continue to form a significant portion of our revenue. Our recently hired foreign direct employed workforce in Q32022 are mostly unskilled and are currently undergoing on-the-job training as well as safety training. Although there are job opportunities for the Group, revenue may be subdued temporarily until these newly hired workers can perform their tasks efficiently and meeting our business partners' standards.

Proposed acquisition of 26 Gul Way ("Property"):

The circular dated 12 October 2022 for the proposed acquisition of this property was dispatched to the Company's shareholders. The Extraordinary General Meeting ("EGM") will be held on 10 November 2022.

We have also submitted our application to Jurong Town Corporation ("JTC") for the proposed purchase of property. As at the date of this announcement, JTC is still reviewing our application.

It should be noted that the proposed acquisition of this property is subject to both approvals from JTC and Company's shareholders whichever is later.

Malaysia

The increase in current quarter revenue is due to the Pengerang facilities increasing their production activities. Responding to this opportunity, we have continued to intensify our efforts, engaging the plant management team to secure more jobs. At the same time, we aim to increase our direct employed workforce and gradually reduce reliance on subcontractors.

As at 12 October 2022, work done on the construction of the fabrication yard (which is close to the Petronas's Pengerang facilities) is approximately 33% and is in expected to be completed by end 2023. This facility will support jobs from the Petronas's Pengerang facilities, new local business partners and Singapore operations.

Taiwan

We have taken a view that the Taiwan market will continue to offer business opportunities and will continue to work to address and resolve the issues described in the announcement dated 21 June 2022 and 12 July 2022.

As a commitment to, both current and future business partners, a wholly owned subsidiary, Pegasus Advance Industrial Company Limited ("PAI") was newly incorporated, please refer to announcement dated 20 October 2022. A workshop facility has been established in Kaohsiung, which is in close proximity to one of our current business partners, to offer fabrication and hydro jetting services. PAI will be housed at this location.

The Internal Auditors have submitted their findings to the Audit Committee. Based on work done, since the commencement of the Branch operations in 2019, the Internal Auditors have

verified that payments made were supported by contract agreements and Value Added Tax invoices and properly authorized. The Board agrees with their findings and recommendations. The Internal Auditor will be tasked to review, at a later date, the implementation of their recommendations. Management have reviewed both the business and legal relationship with consultants.

Update on the Taiwan Investigation:

For details, please refer to 21 June 2022 and 12 July 2022 announcements. Total penalties (TWD 3.8 million) and refund of bid deposits (TWD3.37 million), totaling TWD7.17 million (SGD 342,000), were fully provided for in June 2022. On 8 August 2022, CPC deducted the penalty amount of TWD3.0 million (for the CPC Talin Integrated Turnaround project) from one of the existing CPC jobs. At the date of this announcement, there is no further deduction by CPC for the remaining penalty and refund of bid deposits even though the Public Construction Commission ("PCC") has come to the decision regarding the refund of the bid deposits (please see below).

On 5 July 2022, our Taiwan legal counsel, Chen & Lin Attorneys-at-law ("Taiwan Legal Counsel"), on behalf of the Taiwan Branch office ("Taiwan Branch"), applied to Taiwan Qiaotou District Court ("Court") to participate in the Consultant's bribery indictment charges. Our application was rejected by the Court on 4 August 2022. In the rejection letter, the Court explicitly stated that the Taiwan Branch is not a victim in the consultant's bribery case. As at the date of this Announcement, the Company including the Taiwan Branch and its officers remain not named nor indicted as defendant. None of them has been summoned as suspects in the bribery charges. Given all the above, the Taiwan Branch will not and will not have the rights to participate therein or to obtain the relevant Court documents.

Our Taiwan legal counsel on behalf of the Taiwan Branch, has also submitted an appeal to PCC on 18 July 2022 and 26 July 2022, addressing our objections on CPC's demand for the refund of the bid deposits, totaling TWD 3.37 million as well as the 3 years suspension in which the Branch is not allowed to participate in government contracts under the Government Procurement Act of Taiwan.

On 7 October 2022, the Taiwan Branch received PCC's decision on the refund of bid deposits totaling TWD 3.37 million. For the CPC Talin Integrated Turnaround project, the PCC's decision is that Taiwan Branch has to refund the deposit of TWD2.29 million back to CPC. PCC has deemed the consultant as an agent of the Taiwan Branch and the Taiwan Branch is liable for the consultant's actions. As for the CPC Taoyuan's refund of deposit of TWD1.08 million, PCC ruled in our favour as the alleged bribery occurred after the project was properly awarded to the Taiwan Branch. CPC has no right to claim the bid deposit from the Taiwan Branch. It should be noted that CPC cannot object to the PCC's final decision.

At the date of this announcement, the PCC has not given its decision on the 3 years suspension. CPC has also not responded to the penalty claim amount of TWD0.8 million pertaining to the Taoyuan project.

North America

The completion of the purchase of land and building at Kankakee County, in the state of Illinois, USA was completed on 29 August 2022. The Kankakee County's land office, has updated on their website on 2 September 2022, Pegasus Industrial Midwest LLC ("PIM") as the new owner of this land and building.

At the date of this announcement, we have injected a total of USD4.75 million into PIM (a wholly owned subsidiary) and the remaining uncalled share capital is USD1.25 million. PIM has placed orders for new equipment and deliveries are scheduled for end January 2023. At the same time, PIM is gradually hiring employees, setting up the policies and procedures, getting itself ready to be pre-qualified by the prospective business partners by the end of Q12023. We are working towards commencement of operations in Q22023.

By order of the Board

Cheng Woei Fen
Executive Chairlady

3 November 2022