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 FIRST QUARTER ENDED 31 MARCH 2022

Mun Siong Engineering Limited (the "**Company**"), together with its subsidiaries and equity-accounted investee (the "**Group**"), wishes to provide guidance on its first quarter financial performance ended 31 March 2022.

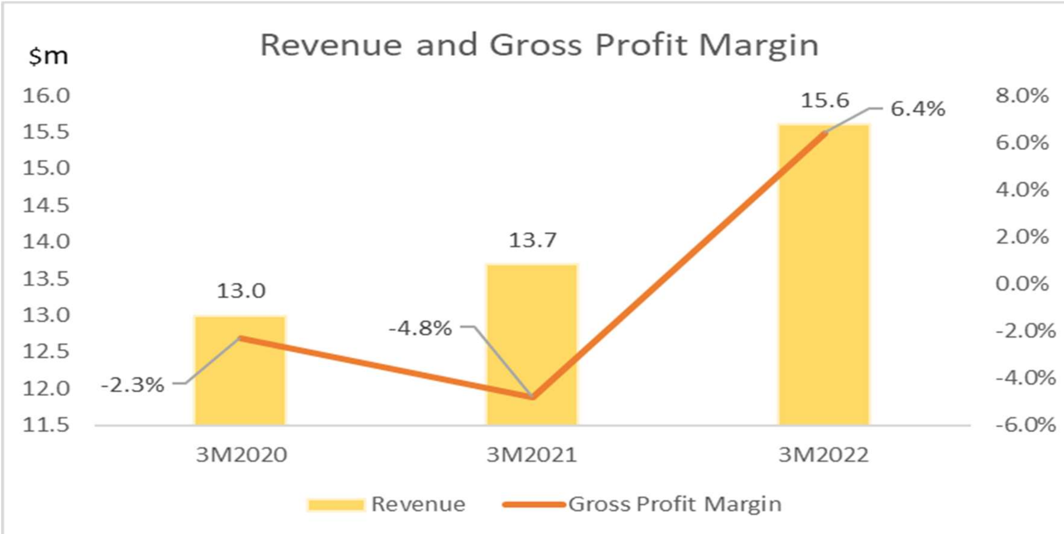
The Group had on 20 February 2020 announced that it will discontinue with quarterly reporting of the Company and the Group financial statements. The Company will now announce the financial statements of the Company and the Group on a half-yearly basis, as in compliance to the amended listing rules, announced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

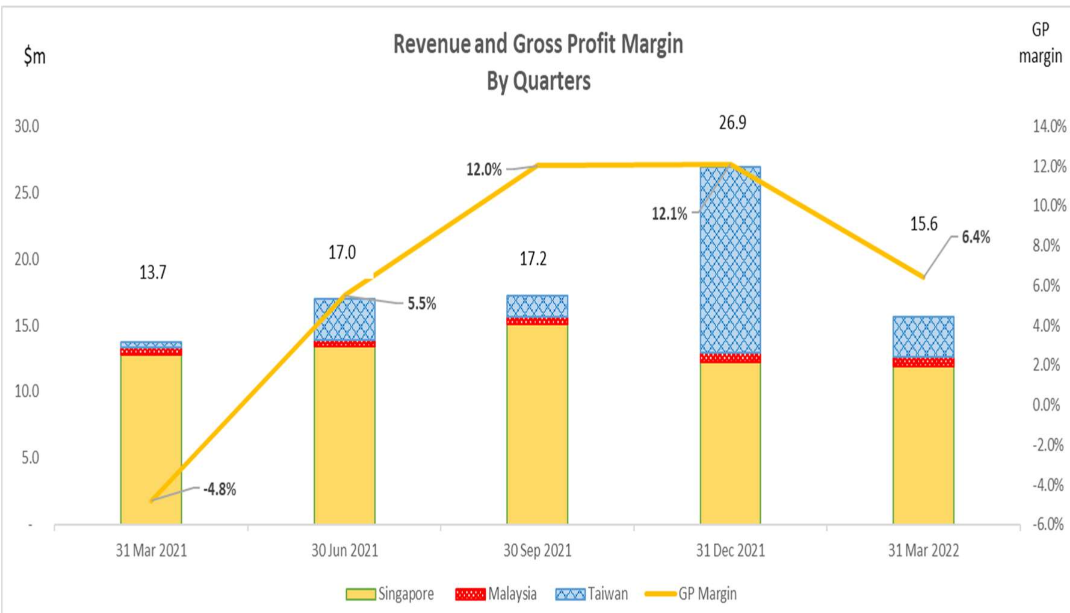
The Board of Directors would like to provide guidance on the Group's financial performance and position in view of the current uncertain economic environment. This guidance is part of our continuous engagement between the Board of Directors and the various stakeholders such as shareholders, investors, 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 current quarter ended 31 March 2022 ("Q12022"), the Group recorded a revenue of $15.6 million, an increase of $1.9 million or 14.0% against the corresponding quarter ended 31 March 2021 ("Q12021"). The increase in revenue mainly came from the Taiwan operations. Please refer to the notes relating to the "Taiwan Operations".

Cost of sales increased by $0.2 million or 1.7% to $14.6 million in the current quarter.

The Group generated a gross profit of $1.0 million (Q12021: gross loss $0.7 million) or positive gross margin of 6.4% (Q12021: negative gross margin of 4.8%) in the current quarter. All operations registered positive gross profit in the current quarter. The main reasons for the improvement in overall gross profit in Q12022 were (i) significant reduction in subcontracting costs in the Singapore operations and (ii) higher dollar revenue recognized for the Taiwan operations.

Singapore Operations:

The Singapore operations registered a revenue of $11.9 million in Q12022, a decline of $1.0 million or 7.5% from the corresponding quarter.

When Phase 2 of the Circuit Breaker was eased in September 2020, workers were able to be redeployed at job sites. Adhering to strict safe distancing measures, the Group was able to gradually clear the significant backlog work orders. As there were four months remaining in FY2020, some of the backlog work orders were carried forward and completed in Q12021. Hence, a higher revenue was registered in Q12021.

We incurred a gross loss in Q12021 due to high subcontracting costs. The Group had to engage subcontractors to supplement its direct employed workforce to complete the backlog work orders. The costs of engaging subcontractors are high (compared to that of our direct workforce) and low in yields due to lower productivity.

The Singapore borders were momentarily opened in October 2021. With the emergence of Omicron (a sub-variant of the Covid-19 virus), stricter border controls were reinstated and subsequent eased in the latter part of Q12022. Workers returning from their home leave were replacing those that left and slow hiring of new workers (slow approving processes at Ministry of Manpower before they were allowed to enter Singapore). However, those workers leaving us outpaced the returning and hiring of workers. This restricted our ability to accept more new job orders and improving our profitability further. We have had to continue engaging subcontractors for some ongoing jobs. Despite these, the subcontracting costs in Q12022 decreased significantly by 73.6% as compared to Q12021.

The Singapore operations achieved a positive gross profit in Q12022 as compared to a gross loss in Q12021.

Malaysia Operations:

The Malaysia operations continue to show a consistent gradual improvement in revenue – achieving a revenue of $0.7 million for the current quarter as compared to $0.5 million in Q12021. This represented an increase of $0.2 million or 40.6%. The higher revenue was attributed to more job activities as the Pengerang plant prepares to increase production. Despite the improvements in revenue, which is encouraging, its contribution to the Group's revenue is insignificant.

The Malaysia operations continue to register positive gross profit in the current quarter as well as in the corresponding quarter.

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 for the background information. HIMS, the intermediate debtor, has submitted a writ of summon on 29 April 2022 to the Kuala Lumpur Court, to recover the amount of $739,000 (equivalent to RM2.3 million) from Highbase (the ultimate debtor).

At Petronas request, we had to issue $168,000 of billings (for the completed jobs) in Q12022, bringing the outstanding amount due from HIMS (intermediate debtor) of $571,000 (as at 31 December 2021) to $739,000 (as at 31 March 2022). Arising from these billings, a corresponding transfer from the contract assets (attributed to work done for Petronas) amounting to $168,000 was made to amount due from HIMS (intermediate debtor). HIMS in turn had also billed Highbase (the ultimate debtor) for this amount.

Contract assets (attributed to Petronas) amounting to $782,000 was impaired as at the end of FY2021. The increase in billings ($168,000) and consequently the corresponding increase in amount due from HIMS (intermediate debtor) does not require further impairments to be made as at 31 March 2022.

HIMS has on 27 January 2022 executed a contract with Petronas with respect to the Contract Award. Pursuant to the said contract, HIMS is required to fulfill certain conditions that have yet to be met. Subsequent to the fulfillment of these conditions, PAE (M), through HIMS, would seek payments from Petronas for the contract assets. Payments would then be made to HIMS where the Company has been afforded joint management control (e.g. bank account) under the HIMS shareholders' agreement. The contract assets amounting to $1.3 million as at 31 March 2022 (31 December 2022: $782,000).

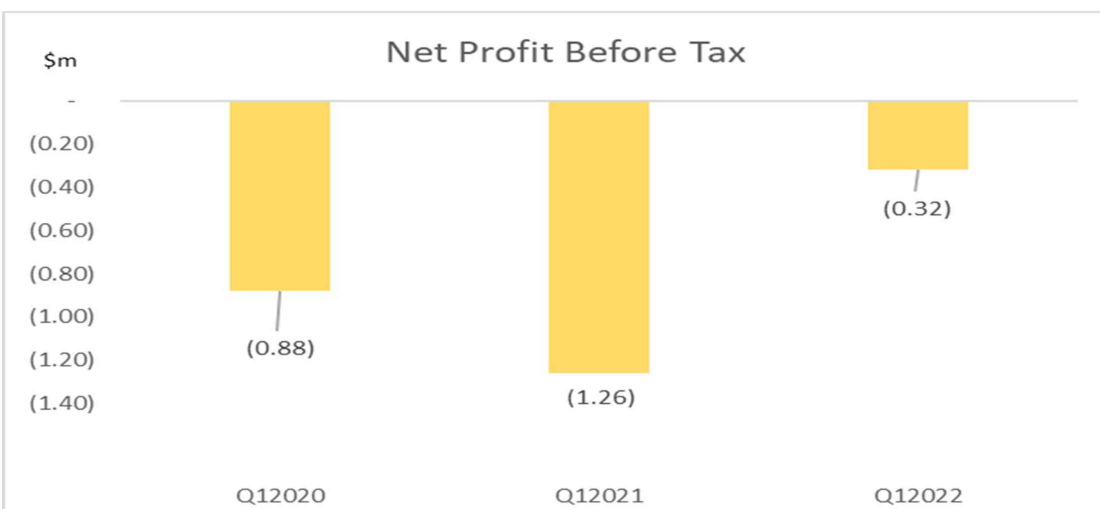
Taiwan Operations:

In Q42021, the Taiwan operations was awarded a turnaround project by CPC Kaohsiung. Work for this project was completed in end of January 2022 and we are currently working with the plant management team to finalize the contract dollar value. This is anticipated to be concluded by Q22022.

The increase in revenue in the current quarter by $2.7 million to $3.0 million, was attributed from this project. To-date the total revenue recognized, over Q12022 and FY2021, for this project is $17.1million.

We registered a positive gross profit in Q12022 as compared to a negative gross profit in Q12021. In Q12021, in the absence of major jobs, only a number of smaller jobs were executed.

Net profit /(loss) before tax:



The other income and recoveries in the current quarter declined by $0.2 million or 50.2% to $0.2 million as compared to Q12021. The decline was mainly due to lower sale of scraps and lower government grants received.

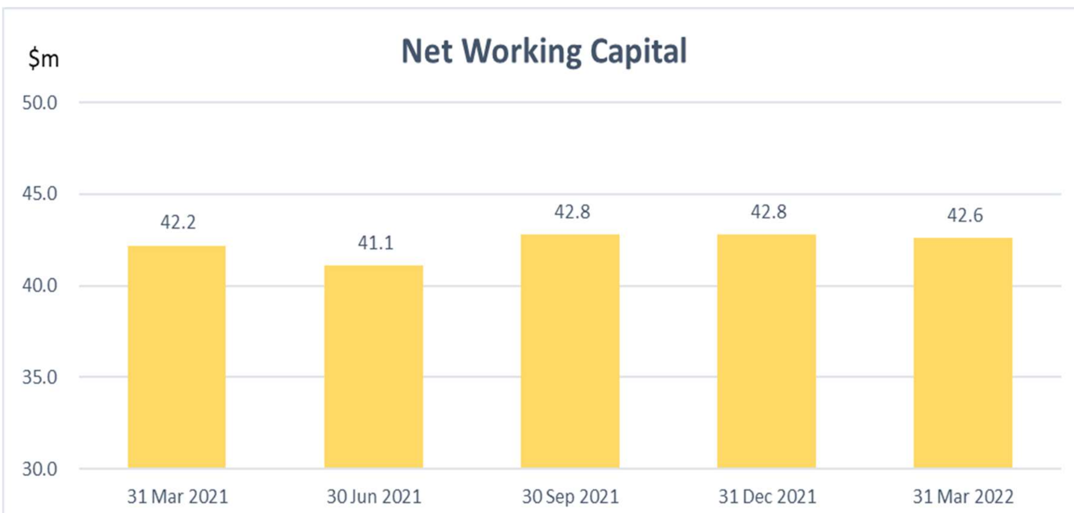
Administration costs increased by $0.1 million or 12.6% to $1.3 million in the current quarter as compared to corresponding quarter. The increase was mainly due to higher salaries costs and depreciation costs (pertaining to the Malaysia leasehold land).

We incurred other operating expenses (exchange loss) of $0.2 million in Q12022 as compared to an other operating income (exchange gain) of $0.1 million in Q12021.

The Group recorded a net loss of before tax of $0.32 million in Q12022 as compared to a net loss before tax of $1.26 million in Q12021. In addition to the above factors that affects the Group's profitability, it is worthy to note that, lesser jobs are awarded in first quarter as compared to remaining quarters in a year. The former has lesser working days due to public holidays like Chinese New Year and lesser number of days in the month of February.

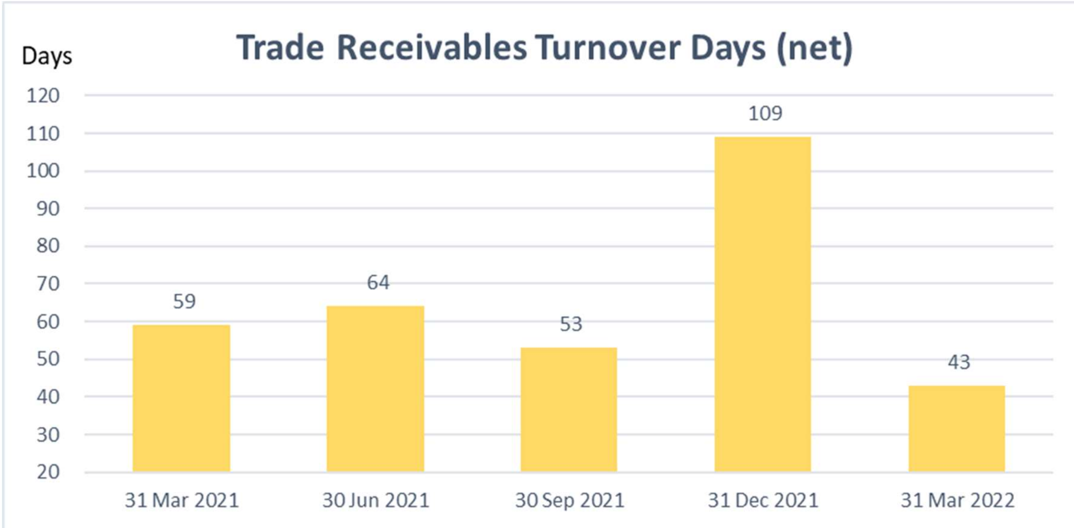
Review of financial position of the Group as at 31 March 2022

As at 31 March 2022, the Group's shareholders' funds stood at $54.7 million (31 December 2021: $55.1 million and 31 March 2021: $53.3 million). The net tangible assets per share as at 31 March 2022 was 9.4 cents (31 December 2021: 9.5 cents per share).



Net working capital (current assets less current liabilities) as at 31 March 2022 was $42.6 million (31 December 2021: $42.8 million). A marginal decline of $0.2 million or 0.5% from 31 December 2021.

Trade receivables (net of impairment) as at 31 March 2022 was $7.3 million (31 December 2021: $22.3 million and 31 March 2021: $8.8 million). As at 27 April 2022, the Group realized $4.3 million or approximately 59.0% of its outstanding trade receivables as at 31 March 2022. No impairment deemed necessary for the remaining outstanding trade receivables.



The bank and cash balances as at 31 March 2022 stood at $34.1 million (31 December 2021: $35.1 million and 31 March 2021: $37.6 million). The decline of $1.0 million from 31 December 2021 was mainly due to changes in working capital and repayment of borrowings of $0.4 million.

Total Borrowings including lease liabilities as at 31 March 2022 was $5.1 million (31 December 2021: $5.5 million and 31 March 2021: $6.3 million). The Group did not take on additional borrowings in the first three months of 2022. As at 31 March 2022, our gross debt ratio was 9.4% (31 December 2021: 10.0% and 31 March 2021: 11.8%).

Operating Environment

Financial markets harbour fear that major global economies may enter into stagflation. A condition of high inflation combined with high unemployment and stagnant demands. The disruptions to both global supply chains (arising from the pandemic) and energy (gas and crude oil) supplies - sanctions against Russia for its war against Ukraine, have caused spiraling increase in prices of raw materials, finished goods and services.

Improvement in energy prices, based on past experiences, provide opportunities for major project jobs. However, our maintenance contracts, which are longer term (typically 5 years) were awarded at that prevailing maintenance rates and in a rising price environment, would erode profit margins.

Singapore

Maintenance jobs continues to form a significant portion of our revenue.

The government has recently announced that foreign worker levies costs would be increased over the next three years and a gradual reduction in dependency ratio - ratio of local employed to foreign workers. These will weigh against our future profitability. It will also pose challenges in maintaining a higher local workforce and lower foreign workers combination and striking a balance between the two. Foreign workers constitute the rank and file in our current operation structure.

To meet our business partners' current demands, we have to increase our direct employed workforce by 15%. The inability to meet this (increase in our direct work force) has been a constraint to accepting more job orders. Our profitability was severely affected, especially in the recent financial years, when subcontractors were engaged to execute on-going jobs when we experienced manpower shortfalls.

The executive committee (management team) has formed a transformation task force to study and make recommendations to address major challenges, in particular, to rising operating costs and the potential impact of government policies towards engaging foreign manpower. Recommendations, such as training to enhance productivity through multitasking, will be implemented in stages to avoid disruptions. The aim is to have a nimble work force that will be more productive and able to cope with the additional work orders without increasing headcount.

A suitable site to house our current operations has been identified and negotiations are still ongoing. In the event, that we are successful, capital commitments will be needed for the purchase of the site and modification works.

Malaysia

The increase in current quarter revenue is due to the Pengerang facilities increasing its production capacity. Responding to this opportunity, we have continued to intensify our efforts, engaging the plant management team to secure more jobs.

The construction of the fabrication yard, close to the Pengerang facilities, is expected to be completed by end of 2023. This facility will support jobs from the Pengerang facilities, new local business partners and Singapore operations.

Taiwan

The Group will intensify its effort to further its relationship with CPC at various of CPC's facilities. Besides this, efforts are made to seek opportunities outside of the petroleum and petrochemical industries ("process industries") in Taiwan.

North America - USA

The Group has decided to further its reach and intent to offer specialized services in this market. Providing specialized services (such as industrial and exchanger maintenance and repairs) is one of our core competencies. We have demonstrated a good track record, with various business partners and achieving profitability, in providing specialized services. Recent experiences in Taiwan and Malaysia would help us navigate some of the challenges in establishing presence in this new market.

Unlike the Singapore market (dominated by a few major operators – oligopolistic), the North America market have larger number of major operators as well as a large number of mid-size operators. This provides us opportunities to widen our customer base and latitude in pricing our services. Refer to announcement on "The Proposed Investment In Illinois, USA Through A Newly Incorporated Wholly Owned Subsidiary, Pegasus Industrial Midwest Limited Liability Company, As A Major Transaction" released on 15 May 2022.

By order of the Board

Cheng Woei Fen
Executive Chairlady

15 May 2022