



MUN SIONG ENGINEERING LIMITED

FIRST QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE
PERIOD ENDED 31 MARCH 2015



MUN SIONG ENGINEERING LIMITED

(Incorporated in the Republic of Singapore)

(Company registration number: 196900250M)

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FIRST QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2015

1(a)(i) A statement of comprehensive income (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		
	Qtr ended 31 Mar		Incr / (Decr)
	2015	2014	
	1Q	1Q	%
	\$'000	\$'000	
Revenue	16,370	21,770	(24.8)
Cost of sales	(14,338)	(19,457)	(26.3)
Gross profit	2,032	2,313	(12.1)
Other income	527	415	27.0
Administrative expenses	(1,662)	(1,588)	4.7
Other operating (expenses)/income	13	1	NM
Results from operating activities	910	1,141	(20.2)
Finance costs	(10)	(10)	-
Profit before income tax	900	1,131	(20.4)
Income tax (expense) / credit	135	(201)	NM
Profit after income tax	1,035	930	11.3
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation difference from foreign operation	1	(9)	NM
Total comprehensive income	1,036	921	12.5
Profit attributable to:			
Owners of the Company	1,035	930	11.3
Non-controlling interest	-	-	NM
	1,035	930	
Total comprehensive income attributable to:			
Owners of the Company	1,036	921	12.5
	1,036	921	

NM: Not meaningful

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

	Group	
	Qtr ended 31 Mar	
	FY2015	FY2014
	Q1	Q1
	\$'000	\$'000
Depreciation of property, plant and equipment	922	870
Amortisation of intangible asset	37	37
Net (gain)/loss on disposal of property, plant and equipment	(12)	(6)
Interest income	(34)	(18)
Interest on borrowings	10	10
Property, plant and equipment written off	-	1
Net foreign exchange (gain)/loss	(13)	(5)
Net under-provision/(write-back) of current tax expense in respect of prior years	(327)	-



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1(b)(i) A statement of financial position (for the Company and Group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group			Company		
	31 Mar'15	31 Dec'14	Change	31 Mar'15	31 Dec'14	Change
	2013	2012		2013	2012	
	\$'000	\$'000	%	\$'000	\$'000	%
Non-current assets						
Property, plant and equipment	17,544	17,338	1.2	16,047	15,791	1.6
Intangible asset	1,152	1,189	(3.1)	1,152	1,189	(3.1)
Investment properties	1,310	1,310	-	1,310	1,310	-
Goodwill on consolidation	1,001	1,001	-	-	-	NM
Subsidiaries	-	-	NM	4,301	4,301	-
Deferred tax asset	-	62	NM	-	-	NM
Total non-current assets	21,007	20,900	0.5	22,810	22,591	1.0
Current assets						
Inventories	11,286	10,950	3.1	9,384	9,325	0.6
Trade and other receivables	16,517	21,881	(24.5)	15,908	21,005	(24.3)
Asset classified as held for sale	-	180	NM	-	-	NM
Cash and cash equivalents	20,291	15,538	30.6	8,327	4,515	84.4
Total current assets	48,094	48,549	(0.9)	33,619	34,845	(3.5)
Total assets	69,101	69,449	(0.5)	56,429	57,436	(1.8)
Equity attributable to equity holders of the Company						
Share capital	25,876	24,582	5.3	25,876	24,582	5.3
Capital reserves	17	75	NM	17	75	NM
Translation reserves	(4)	(6)	33.3	-	-	NM
Accumulated profits	30,798	29,763	3.5	19,580	19,055	2.8
Total equity attributable to owners of the Company	56,687	54,414	4.2	45,473	43,712	4.0
Non-controlling interest	-	-	NM	-	-	NM
Total equity	56,687	54,414	4.2	45,473	43,712	4.0
Non-current liabilities						
Loans and borrowings	499	697	(28.4)	499	697	(28.4)
Provision for restoration costs	-	120	NM	-	120	NM
Deferred tax liabilities	1,573	1,570	0.2	1,483	1,421	4.4
Total non-current liabilities	2,072	2,387	(13.2)	1,982	2,238	(11.4)
Current liabilities						
Trade and other payables	9,249	11,676	(20.8)	8,085	10,692	(24.4)
Loans and borrowings	794	794	-	794	794	-
Current tax payable	299	178	68.0	95	-	NM
Total current liabilities	10,342	12,648	(18.2)	8,974	11,486	(21.9)
Total liabilities	12,414	15,035	(17.4)	10,956	13,724	(20.2)
Total equity and liabilities	69,101	69,449	(0.5)	56,429	57,436	(1.8)

NM: Not meaningful

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1(b)(ii) Aggregate amount of Group's borrowings and debt securities***Amount repayable in one year or less, or on demand***

31 March 2015		31 December 2014	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
794	-	794	-

Amount repayable after one year

31 March 2015		31 December 2014	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
499	-	697	-

Details of any collateral

The borrowings were secured against certain operating assets of the Group under hire-purchase facilities.

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1(c) A cash flow statement (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	2015	2014
	1Q	1Q
	\$'000	\$'000
Cash flows from operating activities		
Profit before income tax	900	1,131
Adjustments for:		
Depreciation of property, plant and equipment	922	870
Interest expense	10	10
Amortisation of intangible asset	37	37
Property, plant and equipment written off	-	1
Interest income	(34)	(18)
Net (gain)/loss on disposal of property, plant and equipment	(12)	(6)
Operating cash flow before working capital changes	1,823	2,025
Change in inventories	(336)	(1,696)
Change in trade and other receivables	5,364	4,397
Change in trade and other payables	(2,546)	(3,223)
Cash (used in)/generated from operations	4,305	1,503
Tax credit received	327	-
Income tax paid	(7)	(13)
Net cash (used in)/generated from operations	4,625	1,490
Cash flows from investing activities		
Interest received	34	18
Proceeds from disposal of property, plant and equipment	12	6
Acquisition of property, plant and equipment	(1,127)	(193)
Proceeds from disposal of investment property	180	-
Proceeds from disposal of jointly controlled entity	-	16
Net cash used in investing activities	(901)	(153)
Cash flows from financing activities		
Proceeds from exercise of warrants	1,237	-
Payment of finance lease liabilities	(198)	(199)
Interest paid	(10)	(10)
Net cash used in financing activities	1,029	(209)
Net (decrease)/increase in cash and cash equivalents	4,753	1,128
Cash and cash equivalents at beginning of period	15,537	17,222
Effect of exchange rate fluctuations on cash held	1	(10)
Cash and cash equivalents at end of period/year	20,291	18,340



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1(d)(i) A statement (for the Issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Amount in \$'000	Share capital	Capital reserves	Accumulated profits	Translation reserves	Total equity
The Group					
At 1 January 2015	24,582	75	29,763	(6)	54,414
Total comprehensive income for the period					
Profit for the period	-	-	1,035	-	1,035
Other comprehensive income for the period:-					
Foreign currency translation difference from foreign operation	-	-	-	1	1
Total comprehensive income for the period	-	-	1,035	1	1,036
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Shares issued for exercise of warrants	1,295	(58)	-	-	1,237
Total transactions with owners	1,295	(58)	-	-	1,237
At 31 March 2015	25,877	17	30,798	(5)	56,687
At 1 January 2014	24,528	-	25,902	(10)	50,420
Total comprehensive income for the period					
Profit for the period	-	-	930	-	930
Other comprehensive income for the period:-					
Foreign currency translation difference from foreign operation	-	-	-	(9)	(9)
Total comprehensive income for the period	-	-	930	(9)	921
At 31 Mar 2014	24,528	-	26,832	(19)	51,341
The Company					
At 1 January 2015	24,582	75	19,055		43,712
Total comprehensive income for the period					
Profit for the period	-	-	525		525
Total comprehensive income for the period	-	-	525		525
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Shares issued for exercise of warrants	1,294	(58)	-		1,236
Total transactions with owners	1,294	(58)	-		1,236
At 31 March 2015	25,876	17	19,580		45,473
At 1 January 2014	24,528	-	16,797		41,325
Total comprehensive income for the period					
Profit for the period	-	-	845		845
Total comprehensive income for the period	-	-	845		845
At 31 Mar 2014	24,528	-	17,642		42,170

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1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

On 11 September 2014, the Company issued 166,683,200 warrants upon completion of the Proposed Renounceable Non-underwritten Rights Issue of up to 166,683,200 warrants ("Warrants") at an issue price of S\$0.0015 for each Warrant, as announced on 6 May 2014 (the "Warrant Issue"). The Warrants were listed and quoted on the Main Board of the SGX-ST on 15 September 2014. Each Warrant carries the right to subscribe for one (1) new ordinary share in the capital of the Company at an exercise price of S\$0.01 for each new share.

For the period from 1 January 2015 to 31 March 2015, 123,661,500 Warrants were exercised and converted into 123,661,500 ordinary shares at the exercise price of \$0.01 per share. Except as mentioned above, there have been no changes in the issued share capital of the Company since the end of the last period reported on.

	2015 1Q	2014 1Q
Issued and paid-up shares		
As at beginning of the period	421,836,200	416,708,000
Shares issued pursuant to exercise of warrants	123,661,500	-
As at end of the period	<u>545,497,700</u>	<u>416,708,000</u>
Treasury shares	NIL	Nil
Total number of issued shares excluding treasury shares as at end of the period	<u>545,497,700</u>	<u>416,708,000</u>
Total outstanding warrants as at end of the period	<u>37,893,500</u>	<u>-</u>

1 (d)(iii) The total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	As at 31 Mar 2015	As at 31 Dec 2014
Total number of shares	545,497,700	421,836,200
Less: Treasury shares	<u>NIL</u>	<u>Nil</u>
Total number of issued shares excluding treasury shares	<u>545,497,700</u>	<u>421,836,200</u>



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1 (d)(iv) A statement showing all sales, transfers, disposals, cancellations and/or use of treasury shares at the end of the current financial period reported on.

Not applicable. There were no treasury shares.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The financial statements have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as compared to the most recent audited financial statements for the year ended 31 December 2014 save for those disclosed in Para 5 below.

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

The Group has adopted the following new and revised Financial Reporting Standards (FRS) and interpretations of FRS (INT FRS) that are relevant to its operations and effective for annual periods beginning on or after 1 January 2015:

- a) Improvements to FRSs (January 2014)
- b) Improvements to FRSs (February 2014)

The adoption of the new and revised FRS and INT FRS is assessed and it has no material impact on the results of the Group and of the Company for the financial period ended 31 March 2015.

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6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group	
	1Q 2015	1Q 2014
EPS (based on consolidated net profit attributable to equity holders)		
- on weighted average number of ordinary shares in issue (cents)	0.23	0.22
- on fully diluted basis (cents)	0.21	0.22
<hr/>		
Weighted average number of shares in issue during the period/year used in computing basic EPS	458,996,509	416,708,000
<hr/>		
Weighted average number of shares in issue during the period/year used in computing diluted EPS	492,268,850	416,708,000
<hr/>		

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-

- (a) current financial period reported on; and**
(b) immediately preceding financial year

	Group		Company	
	31 Mar 2015	31 Dec 2014	31 Mar 2015	31 Dec 2014
Net asset value per ordinary share based on existing issued share capital as at the respective dates (cents)	10.39	12.90	8.34	10.36
<hr/>				
Number of shares (issued and issuable) used in computing net asset value per ordinary share	545,497,700	421,836,200	545,497,700	421,836,200
<hr/>				



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8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Notes to the statement of comprehensive income

(i) Revenue and profitability

1Q2015 saw a significant change in revenue drivers as compared to other previous reporting periods with maintenance work taking the lead.

Project works are often more complex and have longer completion period as compared to maintenance work which are simpler and has much shorter completion period. During the period under review, project works undertaken did not meet revenue recognition criterion.

Maintenance work (typically up keeping work for facilities) are carried out at pre-determined rates when the contracts were awarded. They are necessary "pre-requisites" for the Group to be considered for the project works when it comes on stream. Project works are typically significant in dollar value as they are complex and with short turnaround timing.

Revenue for the current quarter ("1Q2015") was S\$16.4 million, a decline of 24.8% as compared to S\$21.8 million in the corresponding quarter in the prior year ("1Q2014").

Cost of sales decreased in tandem with the lower revenue.

Profit before taxation for 1Q2015 was S\$0.9 million as compared against a profit before taxation of S\$1.1 million in 1Q2014.

Included in other income were one-off receipts from IRAS wage credit scheme and MOM special employment credit of S\$0.3 million (1Q2014: S\$0.2 million). Excluding the one-off items, profit margin declined from 4.3% in 1Q2014 to 3.5% in 1Q2015.

(ii) Other income

The increase in other income was mainly due to the receipts of Special Employment Credits from the Ministry of Manpower and Wage Credit Scheme payout from IRAS for 2014.

(iii) Administrative expenses

Administrative expenses for 1Q2015 were comparable with the prior corresponding quarter.

(iv) Other expenses

Other expenses recorded a net gain arising from foreign exchange transactions.

(v) Finance expenses

The finance cost refers to the hire purchase interest incurred on the financing of operating equipment acquired in 2012.



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(vi) Income tax (expense) / credit

Current quarter recorded a net tax credit following a refund of S\$0.3 million in respect of tax assessment for the prior year following the transfers of unutilized tax losses and capital allowances between subsidiaries under the application of group relief.

Notes to statements of financial position

Group and Company

(i) Property, plant and equipment

The increase was due to the acquisition of operating assets of S\$1.1 million to upgrade and enhance the Group's capabilities, offset by the depreciation expense of S\$0.9 million.

(ii) Intangible Asset

The decrease was due to the amortisation of the exclusive licencing rights for the provision of specialised coating services and methodology in Singapore and Malaysia.

(iii) Inventories

The increase in inventories was mainly due to higher volume of contract work in progress which is due to meet the revenue recognition criterion.

(v) Trade and other receivables

Trade and other receivables decreased due to the realisation of receivables during the quarter.

(vii) Asset classified as held for sale

The sale of an investment property was completed in the current quarter.

(viii) Loans and borrowings

The decrease in loans and borrowings was mainly due to the repayment of hire purchase instalments.

(ix) Trade and other payables

The decrease was due to the settlement of payables and lower volume of materials and services purchased during the quarter.

(x) Equity

Total equity of the Group increased from S\$54.4 million as at 31 December 2014 to S\$56.7 million as at 31 March 2015. The increase was attributed to the increase in revenue reserve which arose from profit generated by the Group during the quarter and the increase in share capital of S\$1.2 million from the issue of new ordinary shares at the exercise price of one cent each pursuant to the conversion of the warrants.

During the current quarter, a total of 123,661,500 warrants have been exercised and the share capital is increased accordingly.



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Notes to cash flow statement

The Group continues to register positive cash flows generated from its operation. Working capital (current assets less current liabilities) was S\$37.8 million (as at 31 March 2015) as compared to S\$35.9 million (as at 31 December 2014).

For the quarter, the net operating cash inflow of S\$4.3 million arose mainly from the profit from operations and realisation of receivables.

The Group's cash balance as at 31 March 2015 was S\$20.3 million, an increase of S\$4.8 million from S\$15.5 million as at 31 December 2014. This is after taking into consideration cash outlay of S\$1.1 million invested to acquire operating assets to further enhance the Group's capabilities and productivity.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast was previously provided.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group continues to adopt a cautious stance in its outlook.

The volatility in cruel oil has subsided and prices now trade within a range. The impact of lower cruel oil prices on major economies such as China, North America and Europe has yet to be ascertained.

Beside the impact of lower cruel oil prices on major global economies, the intention and timing of the US Federal Reserve to raise key interest rates has continued to cause volatility to global capital markets.

In light of these uncertainties, the Group observes that its customers have adopted cautious stances towards business expansion and capital expenditures.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No interim dividend for the three months ended 31 March 2015 is recommended.

(b) Corresponding Period of the Immediately Preceding Financial Year

Not applicable.

(c) Date payable

Not applicable.



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(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No interim dividend for the three months ended 31 March 2015 is recommended.

13. If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not sought any shareholders' mandate for interested person transactions pursuant to Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

14. Use of IPO Proceeds and Warrant Issue

a) Warrant Issue

In September 2014, the Company raised gross proceeds of S\$250K from the subscription of 166,683,200 warrants at the issue price of S\$0.0015 per warrant ("Warrants Issue"). After deducting the professional fees as well as related expenses for the Warrants Issue, the finalised net proceeds is S\$77K.

As at the date of this announcement, the net proceeds of S\$77K from the subscription of the Warrants Issue had been fully utilised to purchase materials for operations. The utilisation is in accordance with its intended purpose as working capital as disclosed in the Offer Information Statement dated 18 August 2014.

As at the date of this announcement, 139,373,700 warrants had been exercised since the issue of the warrants and a total proceed of about S\$1.39 million was raised and the status of the proceeds is as follow:

	Amount (S\$'000)
Proceeds from warrants conversion	1,394
Purchase of vehicles	(235)
Purchase of equipment	(592)
Purchase of materials and services for operations	(305)
Balance	262

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b) IPO Proceeds

The proceeds raised from the Company's IPO, after deducting listing expenses of approximately S\$2.5 million was approximately S\$18.9 million. As at the end of the current year, the Company has utilised the aforesaid proceeds as follows:

Purpose	Amount raised S\$'000	Change of Use S\$'000	Utilisation		Total Utilised S\$'000	Balance S\$'000
			up to 2014 S\$'000	1st Qtr 2015 S\$'000		
To establish a regional presence	4,000	-	(1,781)	(9)	(1,790)	2,210
To establish an engineering design centre and upgrade of existing database management system	1,000	-	(541)	(79)	(620)	380
Widening the range of services available to our customers	12,500	(7,709)	(4,791)	-	(4,791)	-
Working Capital	1,400	7,709	(9,109)	-	(9,109)	-
Total	18,900	-	(16,222)	(88)	(16,310)	2,590

The use of proceeds is in accordance with its stated use.

15. Confirmation pursuant to Rule 705(5).

The Board of Directors of the Company hereby confirm to their best knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial statements for the quarter ended 31 March 2015 to be false or misleading in any material respect.

BY ORDER OF THE BOARD

CHENG WOEI FEN
EXECUTIVE CHAIRMAN

QUEK CHIAU LIONG
MANAGING DIRECTOR

11th MAY 2015