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 AND NINE MONTHS ENDED 30 SEPTEMBER 2020

Mun Siong Engineering Limited (the "**Company**") together with its subsidiaries and associate companies (the "**Group**") wishes to provide guidance for its third quarter and nine months ended 30 September 2020.

The Group has on 20 February 2020 announced that it will not continue with the quarterly reporting of the Company and Group financial statements, and instead, the Company will announce the financial statements of the Company and the Group on a half-yearly basis, as required under the amended listing rules, announced by the SGX-ST on 7 February 2020.

However, due to the current volatile and uncertain economic environment caused by Covid-19, the Board of Directors would like to provide guidance on the Group's financial performance and position. This guidance is part of the continuous engagement between the Board of Directors and various stakeholders, especially shareholders, investors, employees and business partners.

It should be noted that the information below is based on the Group's management accounts and they are prepared on the basis of accounting principles described and consistent with the Group's Annual Report FY2019. The Group's auditors, Messrs KPMG LLP, have not reviewed these management accounts and guidance statement below. The statement contained in the paragraph "Operating Environment" should not be construed as forward looking statement relating to the Group's future performance. In the event that there are material changes in our business or operating environment we will make the necessary announcements on the SGX-ST.

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

Review of Operations

Singapore:

Singapore entered Phase 2 of the Circuit Breaker in June 2020, where a significant number of restrictions were lifted or relaxed. Despite this, only between 60% to 70% of our direct employed work force could be deployed. The remaining between 30% to 40% continued to be confined in dormitories due to insufficient workers' quota granted by the Ministry of Trade and Industry. This quota was only dispensed away towards the end of August 2020. It was then that all of our direct employed workforce could be fully deployed.

Our direct employed workforce continues to be subjected to compulsory Rostered Routine Testing in line with the Multi-Ministry Taskforce guidelines. Rostered Routine Testing (done every fortnightly) is to enable prompt detection of any outbreak of Covid-19 and any positive results would result in a 14 days quarantine order.

These measures, are deemed necessary in the interest of public health safety, have weighed against the planning and execution of job orders from our business partners. Consequently, resulted in significant decline in both revenue and labor productivity, the latter suffered a decline of 50.8% in the current quarter.

Malaysia:

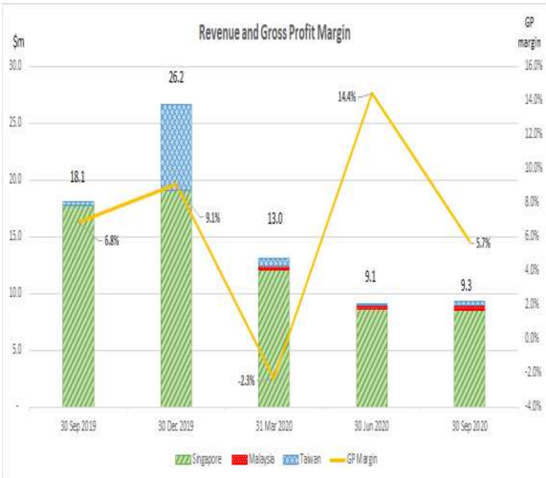
The Malaysia operations continued to push labor productivity into the positive territory and gaining understanding and confidence in its working relationship with Petronas. This has resulted in generating a positive gross profit for the quarter under review.

Taiwan:

The establishment of workshop facilities were completed and operational in June 2020.

Review of Financial Performance and Position

Review of Revenue and Profitability -3Q2020



Revenue:

The Group recorded a revenue of $9.3 million in the quarter under review as compared to $18.1 million in the corresponding quarter - a significant decline of $8.8 million or 48.7%.

The Singapore operations registered the sharpest decline of $9.2 million or 52.1% to $8.5 million for the current quarter. The Malaysia and Taiwan operations achieved an increase in revenue of $0.4 million or 122.0% to $0.8 million for the quarter under review.

The Group achieved a gross profit of $0.5 million (Gross Profit Margin: 5.7%) as compared to the corresponding quarter of $1.2 million (Gross Profit Margin: 6.8%). The decline in gross profit and margin were due to lower revenue arising from lower job activities.

Losses:

For 3Q2020, the Group recorded a loss before taxation of $0.3 million as compared to a profit before taxation of $0.6 million in 3Q2019.

Key components:

In the current quarter, other income declined by $0.1 million or 16.9% to $0.5 million. The decline was due to lower recoveries of medical costs from insurers and absence of government grants for certain approved qualifying projects as compared to the corresponding quarter.

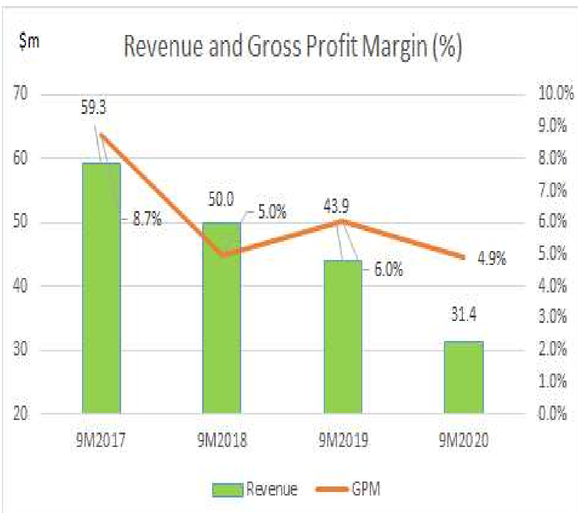
The administration expenses declined by $0.4 million or 28.2% to $1.1 million for the quarter under review. The decline was due to benefits arising from the cost management measures and subsidy of hotel costs received from associations and business partners. The latter were incurred as we moved some of our direct employed workers to hotels designated by the relevant authorities before the commencement of the Circuit Breaker period. This move allowed these workers to be deployed during Phrase 1 of the Circuit Breaker period.

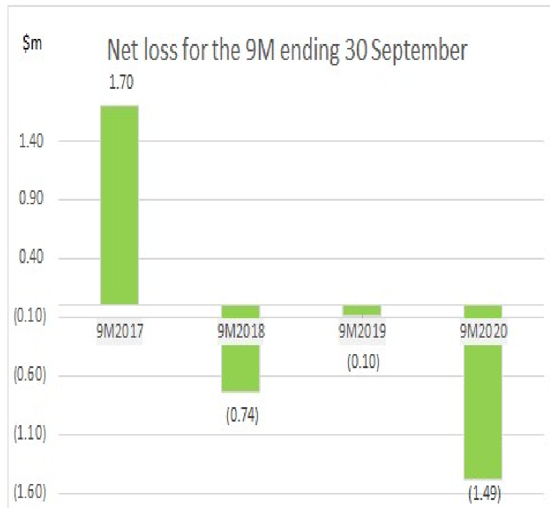
Other operating expenses for this quarter was $0.3 million. This relates to an unrealized foreign exchange loss of $0.3 million (3Q2019: foreign exchange gain of $0.2 million) due to strengthening of the Singapore dollars against the US dollars.

Lower finance income was registered for the quarter under review due to lower interest rates on fixed deposits. It declined by 53.2% to $37,000.

Increased in provision for reinstatement resulted in the increased to finance costs to $37,000. This related to the lease for 35 Tuas Road, which was extended to August 2023.

9M2020





The Group recorded a revenue of $31.4 million for the nine months period ended 30 September 2020, registering a sharp decline of $12.5 million or 28.5%. The Taiwan and Malaysia operations recorded a revenue of $2.3 million for the current period, an increase of $1.9 million against the corresponding period.

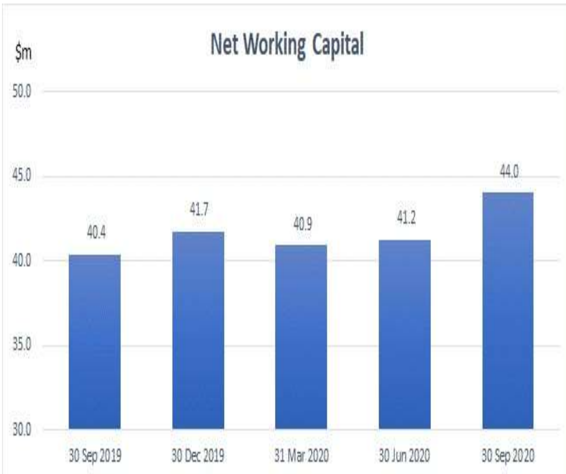
Both gross profit and margin suffered sharp declines. For the current period gross profit was $1.5 million (compared to 9M2019: $2.7 million) and gross profit margin was 4.9% (compared to 9M2019: 6.0%).

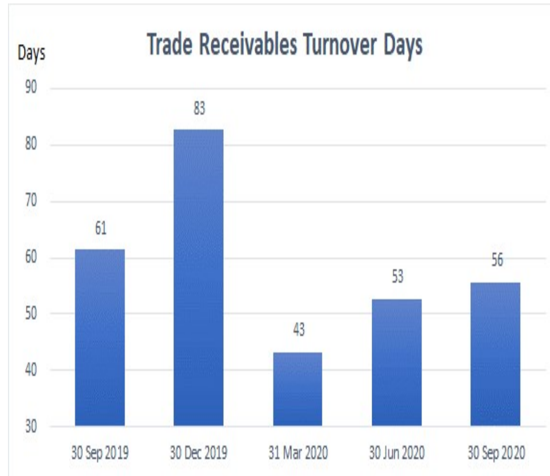
For the nine months period ended 30 September 2020, the Group recorded a loss before taxation of $1.5 million (as compared to 9M2019: loss before taxation of $0.1 million).

EBITDA continues to remain positive at $1.8 million for the nine months period ended 30 September 2020 (as compared to 9M2019: positive $2.4 million).

Review of Financial Position as at 30 September 2020

As at 30 September 2020, the Group shareholders' funds stood at $53.5 million (31 December 2019 was $55.1 million and 30 September 2019 was $54.5 million). Net working capital (current assets less current liabilities) as at 30 September 2020 was $44.0 million (31 December 2019 was $41.7 million and 30 September 2019 was $40.4 million).





The bank and cash balances as at 30 September 2020 stood at $40.5 million (31 December 2019 was $27.4 million and 30 September 2019 was $26.4 million). The higher cash balances as at 30 September 2020 was due to drawdown of the Temporary Bridging Loan of $5.0 million and better management of working capital. Our trade receivables remain current and there was no provision made for doubtful debt in the current period.

Both long term and short term borrowings (including hire purchase liabilities and lease liabilities) as at 30 September 2020 was $6.5 million (31 December 2019 was $0.5 million and 30 September 2019 was $0.6 million). The higher borrowings in the period under review was due to the drawdown of the Temporary Bridging Loan of $5.0 million from the financial institutions (for details of this loan, please refer to our first half results announcement dated 6 August 2020) and recognition of lease liabilities for the extension of lease at 35 Tuas Road.

Operating Environment

Singapore

As at the date of this announcement, our entire direct employed workforce can be fully deployed. We have been actively engaging our business partners in planning and execution of jobs. The back logged (works that were deferred or suspended due to Phase 1 of the Circuit Breaker) are been executed.

In recent days, we have been making attempts to increase our direct employed workforce. This is in anticipation of increase in volume of work from our business partners. In our 2H2020 financial announcement dated 6 August 2020, two of long term key business partners have renewed their maintenance contracts. They operate sizable and state of the art plants and facilities here in Singapore. The renewals in both instances have also expanded our coverage of maintenance work for their plants and facilities, translating to additional work opportunities.

Our recruitment attempts have been constrained by the closure of Singapore's border to non-essential travels. As such we have to rely on transfers from employers that have excess or redundant manpower. This is not ideal as many of these transferees do not have the necessary related work experiences. We would continue to resist the use of subcontractors, where possible, as it is not cost effective.

To minimize the risk of further outbreak of Covid-19 at dormitories, we have reduced (spread out) the number of workers staying at each dormitory.

During October 2020, the Group had submitted a bid to acquire a premise in the Jurong area. However, we were not successful due to higher price offered by a competing party.

Malaysia

The existing contractors are in the midst of completing their works. The significant delays in the handover is caused by the movement control orders imposed by the Malaysian government. In the event of further extension or tightening of the movement control orders (to contain the spread of Covid-19), the Group will face further delays in assuming these job sites. To-date, the revenue from the Petronas relationship are substantially from the supply of manpower.

Both the Group and Petronas have been actively engaged in discussions on potential works for FY2021. These discussions have been encouraging and we will continue to engage Petronas. Although, discussions with Petronas (in our views are fruitful), any award of work is at the discretion of Petronas. Meanwhile, the Group continues to seek other business opportunities.

We believe that the Malaysian market offer opportunities and investment in the necessary infrastructures, such as fabrication and workshop facilities are necessary. In the coming days, the Group will acquire land to construct such facilities.

The Malaysia operations will not have any significant contributions to FY2020.

Taiwan

We are currently preparing to bid for a number of turnaround jobs and long term maintenance contract.

The Taiwan operations will not have any significant contributions to FY2020.

The Group will be announcing its full year financial statements in February 2021.

By order of the Board

Cheng Woei Fen
Executive Chairlady

5 November 2020