



Mun Siong Engineering Limited

Condensed Interim Financial Statements for the six months and full year ended 31 December 2022



MUN SIONG ENGINEERING LIMITED

(Incorporated in the Republic of Singapore)
(Company registration number: 196900250M)

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

	Group			Group		
	6 months ended 31 Dec		Incr / (Decr)	Year ended 31 Dec		Incr / (Decr)
	2H 2022	2H 2021		2022	2021	
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue	32,698	44,057	(25.8)	63,290	74,646	(15.2)
Cost of sales	(28,907)	(38,728)	(25.4)	(56,788)	(69,038)	(17.7)
Gross profit	3,791	5,329	(28.9)	6,502	5,608	15.9
Other income and recoveries	459	434	5.8	754	1,938	(61.1)
Administrative expenses	(1,926)	(4,620)	(58.3)	(5,796)	(6,721)	(13.8)
Other operating (expenses) /income	(882)	153	(676.5)	(1,092)	274	(498.5)
Share of results of an equity-accounted investee	315	(322)	197.8	317	(321)	198.8
Results from operating activities	1,757	974	80.4	685	778	(12.0)
Finance income	206	25	724.0	255	59	332.2
Finance costs	(64)	(78)	(17.9)	(131)	(157)	(16.6)
Profit before income tax	1,899	921	106.2	809	680	19.0
Tax (expense)/credit	(108)	307	(135.2)	(438)	(15)	2,820.0
Profit after income tax	1,791	1,228	45.8	371	665	(44.2)
Other comprehensive income:						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Foreign currency translation difference from foreign operations	(33)	19	(273.7)	(4)	49	(108.2)
Total comprehensive income	1,758	1,247	41.0	367	714	(48.6)
Profit / (Loss) attributable to:						
Owners of the Company	1,791	1,228	45.8	371	674	(45.0)
Non-controlling interest	-	-	-	-	(9)	(100.0)
	1,791	1,228	45.8	371	665	(44.2)
Total comprehensive income / (loss) attributable to:						
Owners of the Company	1,758	1,247	41.0	367	723	(49.2)
Non-controlling interest	-	-	-	-	(9)	(100.0)
	1,758	1,247	41.0	367	714	(48.6)

Earnings per share for profit for the period attributable to the owners of the Company during the year:

	2H 2022	2H 2021	2022	2021
Basic (SGD in cent)	0.31	0.21	0.06	0.12
Diluted (SGD in cent)	0.31	0.21	0.06	0.12



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B. Condensed interim statements of financial position

	Group		Change %	Company (Note 1)		Change %
	31 Dec 22	31 Dec 21		31 Dec 22	31 Dec 21	
	\$'000	\$'000		\$'000	\$'000	
Non-current assets						
Property, plant and equipment	22,139	17,269	28.2	13,215	14,873	(11.1)
Investment properties	1,300	1,270	2.4	1,300	1,270	2.4
Investment in an equity-accounted investee	323	1	NM	323	-	NM
Subsidiaries	-	-	-	4,223	5,428	(22.2)
Other receivables	-	-	-	12,793	-	NM
Total non-current assets	23,762	18,540	28.2	31,854	21,571	47.7
Current assets						
Inventories	151	119	26.9	140	119	17.6
Contract assets	5,928	9,621	(38.4)	5,335	9,600	(44.4)
Trade and other receivables	15,535	23,622	(34.2)	15,854	24,993	(36.6)
Cash and cash equivalents	28,647	35,077	(18.3)	23,114	31,999	(27.8)
Total current assets	50,261	68,439	(26.6)	44,443	66,711	(33.4)
Total assets	74,023	86,979	(14.9)	76,297	88,282	(13.6)
Equity						
Share capital	26,254	26,254	-	26,254	26,254	-
Treasury shares	(42)	(65)	(35.4)	(42)	(65)	(35.4)
Share based compensation reserve	(55)	(39)	41.0	(55)	(39)	41.0
Translation reserve	79	83	(4.8)	88	100	(12.0)
Retained earnings	28,868	28,845	0.1	31,902	30,365	5.1
Equity attributable to owners of the Company	55,104	55,078	0.0	58,147	56,615	2.7
Non-controlling interests	-	-	-	-	-	-
Total equity	55,104	55,078	0.0	58,147	56,615	2.7
Non-current liabilities						
Loans and borrowings	2,642	3,770	(29.9)	2,624	3,750	(30.0)
Provisions	1,315	1,289	2.0	1,315	1,289	2.0
Deferred tax liabilities	1,410	1,331	5.9	1,410	1,331	5.9
Total non-current liabilities	5,367	6,390	(16.0)	5,349	6,370	(16.0)
Current liabilities						
Trade and other payables	11,222	21,753	(48.4)	10,534	21,637	(51.3)
Contract liabilities	-	1,418	(100.0)	-	1,418	(100.0)
Provisions	462	462	-	462	462	-
Loans and borrowings	1,784	1,762	1.2	1,754	1,734	1.2
Current tax payable	84	116	(27.6)	51	46	10.9
Total current liabilities	13,552	25,511	(46.9)	12,801	25,297	(49.4)
Total liabilities	18,919	31,901	(40.7)	18,150	31,667	(42.7)
Total equity and liabilities	74,023	86,979	(14.9)	76,297	88,282	(13.6)

NM: Not meaningful

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



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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
Profit for the year	-	-	-	-	371	371	-	371
Foreign currency translation difference from foreign operations	-	-	-	(4)	-	(4)	-	(4)
Dividends paid	-	-	-	-	(348)	(348)	-	(348)
Grant of performance shares to employees	-	56	(16)	-	-	40	-	40
Purchase of treasury shares	-	(33)	-	-	-	(33)	-	(33)
Balance at 31 December	26,254	(42)	(55)	79	28,868	55,104	-	55,104
2021								
Balance at 1 January	26,254	(92)	(34)	34	28,403	54,565	9	54,574
Profit for the year	-	-	-	-	674	674	(9)	665
Foreign currency translation difference from foreign operations	-	-	-	49	-	49	-	49
Dividends paid	-	-	-	-	(232)	(232)	-	(232)
Grant of performance shares to employees	-	43	(5)	-	-	38	-	38
Purchase of treasury shares	-	(16)	-	-	-	(16)	-	(16)
Balance at 31 December	26,254	(65)	(39)	83	28,845	55,078	-	55,078
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		
Profit for the year	-	-	-	-	1,885	1,885		
Foreign currency translation difference from foreign operations	-	-	-	(12)	-	(12)		
Dividends paid	-	-	-	-	(348)	(348)		
Grant of performance shares to employees	-	56	(16)	-	-	40		
Purchase of treasury shares	-	(33)	-	-	-	(33)		
Balance at 31 December	26,254	(42)	(55)	88	31,902	58,147		
2021								
Balance at 1 January	26,254	(92)	(34)	40	28,225	54,393		
Loss for the year	-	-	-	-	2,372	2,372		
Foreign currency translation difference from foreign operations	-	-	-	60	-	60		
Dividends paid	-	-	-	-	(232)	(232)		
Grant of performance shares to employees	-	43	(5)	-	-	38		
Purchase of treasury shares	-	(16)	-	-	-	(16)		
Balance at 31 December	26,254	(65)	(39)	100	30,365	56,615		



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D. Condensed interim consolidated statement of cash flows

	Group		Group	
	2H 2022	2H 2021	FY2022	FY2021
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Profit before income tax	1,899	921	809	680
Adjustments for:				
Depreciation of property, plant and equipment	1,654	1,635	3,231	3,284
Interest expense	51	66	105	132
Equity-settled share-based payment transactions	-	-	40	38
Fair value gain on investment properties	(30)	(65)	(30)	(65)
Write back on provision for onerous contracts	-	-	-	(42)
Impairment (reversal)/ losses on contract assets	(546)	782	338	782
Property, plant and equipment written off	-	6	-	6
Impairment (reversal)/ losses on trade receivables	(534)	571	(534)	571
Unwinding of discount on provision for restoration costs	13	12	26	25
Loss on divestment of subsidiary (Note 1)	-	-	-	-
Share of results of an equity-accounted investee	(315)	322	(317)	321
Interest income	(206)	(25)	(255)	(59)
(Gain)/ loss on disposal of property, plant and equipment	(133)	10	(134)	10
Operating cash flow before working capital changes	1,853	4,235	3,279	5,683
Changes in inventories	(25)	74	(32)	74
Changes in contract assets	2,323	(218)	3,419	(401)
Changes in trade and other receivables	(2,463)	(11,934)	8,657	(11,120)
Changes in trade and other payables	(917)	8,679	(11,492)	7,977
Changes in contract liabilities	(1,041)	140	(1,418)	175
Cash generated from operating activities	(270)	976	2,413	2,388
Tax paid	(160)	(284)	(391)	(623)
Net cash generated from operating activities	(430)	692	2,022	1,765
Cash flows from investing activities				
Interest received	206	25	255	59
Investment in an equity-accounted investee	-	-	-	(82)
Net cash outflow on divestment of a subsidiary (Note 1)	(9)	-	(9)	-
Proceeds from disposal of property, plant and equipment	269	9	289	9
Acquisition of property, plant and equipment (Note 2)	(6,386)	(263)	(6,775)	(3,142)
Net cash used in investing activities	(5,920)	(229)	(6,240)	(3,156)
Cash flows from financing activities				
Purchase of treasury shares	(33)	-	(33)	(16)
Dividends paid	-	-	(348)	(232)
Repayment of bank loans	(612)	(341)	(1,219)	(341)
Payment of lease liabilities	(345)	(280)	(621)	(567)
Interest paid	(33)	(77)	(103)	(139)
Net cash used in financing activities	(1,023)	(698)	(2,324)	(1,295)
Net decrease in cash and cash equivalents	(7,373)	(235)	(6,542)	(2,686)
Cash and cash equivalents at beginning of period/ year	36,037	35,310	35,077	37,737
Effect of exchange rate fluctuations on cash held	(17)	2	112	26
Cash and cash equivalents at end of period/ year	28,647	35,077	28,647	35,077

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Notes to consolidated statement of cash flows**Note 1: Divestment of Subsidiary**

During the financial year, the book values of net assets of subsidiary divested were as follows:

	FY2022
	\$'000
Cash and cash equivalents	9
Other payables	(8)
Net assets of subsidiary divested	<u>1</u>
Loss on divestment of subsidiary	-
Foreign currency translation reserve	-
	<u>-</u>
Proceed received from divestment of subsidiary	-
Less: Cash and cash equivalents	(9)
Net cash outflow on divestment of a subsidiary	<u>(9)</u>

The loss on the divestment of subsidiary was less than \$500. Refer to Rule 706A announcement dated 28 February 2023.

Note 2: Significant non-cash transactions

During the financial year, the Group acquired property, plant and equipment totaling \$8,509,000 (2021: \$4,196,000) of which \$1,734,000 is non-cash transactions. The non-cash transactions consist of :

- (i) The construction costs at the Malaysia property of \$964,000 (2021: \$Nil) which we have incurred but payments have yet to be made; and
- (ii) New leases acquired \$770,000 were acquired in the current year (2021: \$Nil)

The Group did not acquire any computer software system during the year (FY2021: \$1,054,000 was due to a reclassification from prepayment to fixed assets).



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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. Besides 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 (an equity-accounted investee) (“HIMS”) and Mun Siong Engineering Sdn Bhd, which in turn holds an equity interest in Pegasus Advance Engineering Sdn Bhd (the “PAE M”).

Its business interest in Taiwan started with a branch office (“Branch”) located in Kaohsiung, Taiwan. The financials of the Company include the results of the branch office. During the financial year, the Company incorporated a wholly-owned subsidiary in Taiwan, namely Pegasus Advance Industrial Company Limited (“PAI”). PAI is also located in Kaohsiung.

During the year, the Company set up a limited liability company, Pegasus Industrial Midwest Limited Liability Company (“PIM”) in the State of Illinois, USA. PIM is a wholly owned subsidiary of Pegasus Advance Engineering (US) Inc (“PAE US”). PAE US is wholly owned by Pegasus Advance Engineering (Netherlands) BV (“PAE Netherlands”) and it is also wholly owned by Pegasus Advance Engineering Pte Ltd (“PAE S”). The Company owns 100% interest in PAE S. PAE S, PAE Netherlands and PAE US principal activities are investment holding companies.

During the year, the Company divested completely its 80% equity interest in Pegasus Advance Engineering Co Ltd, an inactive subsidiary company in Myanmar to the minority shareholders.

These condensed interim consolidated financial statements as at and for the six months and full year ended 31 December 2022 comprise the Company and its subsidiaries (collectively the “Group”) and the Group’s interest in an equity-accounted investee.

2. Basis of Preparation

The condensed interim financial statements for the six months and full year ended 31 December 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.



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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 those 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

Revenue	Group		Group	
	6 months ended 31 Dec		Year ended 31 Dec	
	2H 2022	2H 2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Revenue from contracts with customers	32,698	44,057	63,290	74,646

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 recognised prospectively from the date of change.



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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 the performance of the operating segments. The Group's Executive Committee reviews internal management reports at least on a monthly basis.

There is no change in reportable segment in 2022.

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 2022 and 2021.

Reportable Segments	Group		Group	
	6 months ended 31 Dec		Year ended 31 Dec	
	2H2022	2H2021	FY2022	FY2021
	\$'000	\$'000	\$'000	\$'000
Revenue from external parties	32,698	44,057	63,290	74,646
Interest income	206	25	255	59
Miscellaneous income	23	23	46	46
Total other income	229	48	301	105
Total revenue and other income	32,927	44,105	63,591	74,751
Depreciation	1,654	1,635	3,231	3,284
Finance expense	51	66	105	132
Segment profit / (loss)	1,531	1,155	416	890
Unallocated segment profits	23	23	46	46
Fair value gain/(loss) on investment properties	30	65	30	65
Share of results of an equity-accounted investee	315	(322)	317	(321)
Consolidated profit / (loss) before income tax	1,899	921	809	680
Tax (expense)/ credit	(108)	307	(438)	(15)
Earnings for the interim period / year	1,791	1,228	371	665
Capital expenditures	7,350	263	7,739	4,196
Total assets for reportable segment			69,244	82,243
Investment properties			1,300	1,270
Investment in equity-accounted investee			323	1
Right-of-use assets			3,156	3,465
Consolidated total assets			74,023	86,979
Total liabilities for reportable segment			17,425	30,454
Current tax payable			84	116
Deferred tax liabilities			1,410	1,331
Consolidated total liabilities			18,919	31,901


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	Group		Group	
	6 months ended 31 Dec		Year ended 31 Dec	
	2H2022	2H2021	FY2022	FY2021
	\$'000	\$'000	\$'000	\$'000
Disaggregation of revenue				
Types of services:				
Rendering of services	32,698	44,057	63,290	74,646
Timing of revenue recognition				
At a point in time	20,857	20,673	40,718	37,970
Over time	11,841	23,384	22,572	36,676
	32,698	44,057	63,290	74,646
Geographical information				
Singapore	27,033	27,075	51,966	53,002
Indonesia	581	207	921	453
Malaysia	2,114	1,174	3,850	2,132
US	212	-	212	-
Taiwan	2,758	15,601	6,341	19,059
	32,698	44,057	63,290	74,646

A breakdown of sales:

	Group		Change (%)
	FY2022	FY2021	
	\$'000	\$'000	
Sales reported for the first half year	30,592	30,589	0.0
Operating loss after tax before deducting non-controlling interests reported for first half year	(1,420)	(563)	152.2
Sales reported for the second half year	32,698	44,057	(25.8)
Operating profit after tax before deducting non-controlling interests reported for second half year	1,791	1,228	45.8

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6. Financial Assets and Financial Liabilities

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

Financial Assets	Group		Company	
	31-Dec-22 \$'000	31-Dec-21 \$'000	31-Dec-22 \$'000	31-Dec-21 \$'000
At amortised cost				
Trade and other receivables (exclude prepayments)	13,657	23,314	26,883	24,773
Cash and cash equivalents	28,647	35,077	23,114	31,999
	<u>42,304</u>	<u>58,391</u>	<u>49,997</u>	<u>56,772</u>
Financial Liabilities				
At amortised cost				
Trade and other payables	11,222	21,753	10,534	21,637
Bank loans	3,440	4,662	3,440	4,662
	<u>14,662</u>	<u>26,415</u>	<u>13,974</u>	<u>26,299</u>

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 assesses 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:

- Significant financial difficulty of the debtor; and
- 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.

As at 31 December 2021, the Group had provided for impairment loss of \$571,000 (equivalent to RM1,760,000) for the outstanding overdue trade receivables amount from HIMS. This whole amount was fully recovered during the year. The Group wrote back the impairment loss previously provided on trade receivables accordingly for an amount of \$534,000 (equivalent to RM1,760,000) with a realised exchange loss of \$37,000.

For the outstanding trade receivable balances from HIMS as at 31 December 2022, no provision for impairment losses on trade receivable is required as HIMS has been making payments on the outstanding trade receivables and there is no indication that the amount is credit impaired and not recoverable.

As at 31 December 2021, the Group had provided for impairment on contract assets of \$782,000 (equivalent to RM2,414,000). These contract assets relate to purchase orders issued by Petronas issued prior to 1 April 2022 for jobs in progress or completed jobs waiting for Petronas to accept performance of work carried out by PAE M. PAE M stopped issuing invoices to HIMS [billings ultimately to Highbase Strategic Sdn Bhd ("Highbase")] in the fourth quarter of 2021 to avoid



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increasing the Group’s credit exposure to HIMS. Although PAE M has received payments amounting to RM1,200,000 before year end for these contract assets, the Group has increased our provision for impairment on contract assets to \$1,057,000 (equivalent to RM3,461,000) as at 31 December 2022. The impairment for contract assets is consistent with the accounting treatment we have adopted in FY2021. The difference of \$63,000 was due to exchange difference arising from exchange translation.

Please refer to page 23 for more details on the impairment of contract assets.

7. Profit/(Loss) Before Income Tax

7.1. Significant Items

	Group			Group		
	6 months ended 31 Dec			Year ended 31 Dec		
	2H 2022	2H 2021	Incr/ (Decr)	2022	2021	Incr/ (Decr)
	\$'000	\$'000	%	\$'000	\$'000	%
Depreciation of property, plant and equipment	1,654	1,635	1.2	3,231	3,284	(1.6)
Fair value gain on investment properties	(30)	(65)	(53.8)	(30)	(65)	(53.8)
(Gain) / loss on disposal of property, plant and equipment	(133)	10	1,430.0	(134)	10	1,440.0
Equity-settled share-based payment transactions	-	-	-	40	38	5.3
Impairment (reversal)/losses on trade receivables	(534)	571	193.5	(534)	571	193.5
Impairment (reversal)/losses on contract assets	(546)	782	169.8	338	782	(56.8)
Monetary penalties	(48)	-	NM	294	-	NM
Write back on provision for onerous contracts	-	-	-	-	(42)	100.0
Property, plant and equipment written off	-	6	100.0	-	6	100.0
Loss on divestment of subsidiary (Note 1)	-	-	-	-	-	-
Net foreign exchange loss /(gain)	913	(94)	(1,071.3)	1,123	(215)	(622.3)
Finance (income)/expenses:						
Interest income	(206)	(25)	724.0	(255)	(59)	332.2
Interest on bank loans	37	51	(27.5)	81	101	(19.8)
Interest on lease liabilities	14	15	(6.7)	24	31	(22.6)
Unwinding of discount on provision for restoration costs	13	12	8.3	26	25	4.0
(Over)/under provision of tax in respect of prior years	(105)	(165)	(36.4)	(32)	35	191.4

NM: not meaningful

Note (1) During the year, the Group divested completely its 80% equity interest in Pegasus Advance Engineering Co Ltd ("PAE Myanmar") at a nominal value of USD1. PAE Myanmar was an inactive company. The Group made a loss on divestment of subsidiary of less than \$500.

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7.2. Related Party Transactions

	Group		Group	
	6 months ended 31 Dec		Year ended 31 Dec	
	2H 2022	2H 2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Income/(expense)				
<i>Equity-accounted investee</i>				
Revenue from contract (rendering of services)	2,112	1,155	3,399	2,090
Management fees paid	(68)	(53)	(114)	(94)
Transactions with key management personnel				
- Directors' fees	(61)	(57)	(122)	(113)
- Short-term employee benefits	(806)	(749)	(1,748)	(1,489)

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		Group	
	6 months ended 31 Dec		Year ended 31 Dec	
	2H 2022	2H 2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Current income tax expense	(162)	(147)	(391)	(217)
Over/(under) provision in respect of prior years	105	165	32	(35)
Deferred income tax expense relating to origination and reversal of temporary differences	(51)	289	(79)	237
Tax (expense)/credit	(108)	307	(438)	(15)

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9. Dividends Paid

	FY2022 \$'000	FY2021 \$'000
Cash dividends paid during the financial year		
A final one-tier tax exempt dividend of 0.04 cents per share and a special one-tier tax exempt dividend of 0.02 cents per share in respect of FY2021. (2021: A final one-tier tax exempt dividend of 0.04 cents per share in respect of FY2020)	348	232
Total	348	232

The directors have proposed a final dividend for the financial year ended 31 December 2022 of \$0.04 cents per share amounting to \$232,000. These financial statements do not reflect the proposed dividend, which will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2023.

10. Net Asset Value

	<u>Group</u>		<u>Company</u>	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Net asset value per ordinary share based on existing issued share capital as at the respective dates (cents)	9.49	9.49	10.01	9.75
Number of shares (issued and issuable) used in computing net asset value per ordinary share	580,712,400	580,612,400	580,712,400	580,612,400

11. Property, Plant and Equipment

During the six months ended 31 December 2022, the Group acquired assets amounting to \$7.4 million (2H2021: \$263,000). For the six months ended 31 December 2022, the Group also disposed assets amounting to \$136,000 (2H2021: \$18,000).

For the period under review, the Group's market capitalisation is lower than its net assets as at 31 December 2022. The Group performed an impairment assessment of its property, plant and equipment, save for the above assets, by determining the recoverable amount based on the value in use. This assessment requires significant judgement and take into account past performance, 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. The management assessed that no impairment losses were necessary for the remaining assets for the period ended 31 December 2022.

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Capital commitments of the Group are as follows:

(i) Construction of the Malaysia Fabrication Yard

The total approved capital expenditure for the construction costs (refer to announcement dated 5 March 2021) amounted to RM9.6 million (equivalent to \$3.2 million). On 7 December 2021, the Group entered into a contract to construct a fabrication yard on a leasehold land in Malaysia for RM9.2 million (equivalent to \$3.0 million). During the year, there were work variations amounting to RM0.9 million (inclusive of a new statutory requirement for a storm water drainage). This will revise the total construction costs to RM10.1 million (equivalent to \$3.2 million). As at 31 December 2022, the construction status is approximately 67.2% and is expected to be completed (including obtaining the certificate of fitness as well as the relevant statutory permits for occupancy) by December 2023. As at 31 December 2022, the Group has incurred a total of RM5.8 million (equivalent to \$1.8 million) of construction costs.

(ii) Investment in the US – setting up a workshop in PIM, Illinois State, US

The Company's shareholders had on 5 August 2022 approved the total investment costs of up to USD7.5 million (including a shareholder's loan of USD1.5 million) (equivalent to \$10.4 million) for the purchase of US property (USD 3.0 million) and equipment for the setting up of the US workshop. The US workshop will be an extension of one of the Group's core competencies i.e. in providing specialised services such as repairs, coating and cleaning of heat exchangers and piping. PIM had received the title for the land and building. The equipment purchased for the US workshop are arriving and the team is setting up the operation. The approved capital expenditure budget is USD6.0 million and as at 31 December 2022, the Group has paid a total of USD4.6 million (equivalent to \$6.2 million) of capital expenditure.

(iii) Purchase of 26 Gul Way ("property") by the Singapore Operations

The Company's shareholders had on 10 November 2022 approved the acquisition of the property at a consideration of \$11.0 million. The total investment costs including renovation and statutory costs amount to \$13.0 million. As at 31 December 2022, the Company had paid \$1.5 million being the 10% deposit (downpayment) of the consideration (\$1.1 million) and stamp duties. The remaining sum of \$9.9 million (balance 90% of the total consideration of \$11.0 million) will be paid on 28 February 2023 being the agreed completion date between the Company and the Vendor. Please refer to our announcement dated 2 February 2023 pertaining to the Jurong Town Corporation ("JTC") consent to allow the Company to purchase the property. At the date of this announcement, the Company has yet to perform a feasibility study to install solar panels on the roof of the property which is a new condition imposed by JTC when they gave us the consent.

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.

	Group and Company	
	2022	2021
Investment Properties	\$'000	\$'000
At 1 January	1,270	1,205
Fair value gain	30	65
At 31 December	<u>1,300</u>	<u>1,270</u>



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12.1. Valuation

The Group engages 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 2022, there is a fair value gain of \$30,000 on the investment properties (31 December 2021: fair value gain of \$65,000).

13. Loans and Borrowings

	<u>Group</u>		<u>Company</u>	
	<u>31 Dec 2022</u>	<u>31 Dec 2021</u>	<u>31 Dec 2022</u>	<u>31 Dec 2021</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
<u>Amount repayable within one year</u>				
Lease liabilities (secured)	540	543	510	515
Bank loans				
-secured	-	-	-	-
-unsecured	1,244	1,219	1,244	1,219
	<u>1,784</u>	<u>1,762</u>	<u>1,754</u>	<u>1,734</u>
<u>Amount repayable after one year</u>				
Lease liabilities (secured)	446	327	428	307
Bank loans				
-secured	-	-	-	-
-unsecured	2,196	3,443	2,196	3,443
	<u>2,642</u>	<u>3,770</u>	<u>2,624</u>	<u>3,750</u>
	<u>4,426</u>	<u>5,532</u>	<u>4,378</u>	<u>5,484</u>

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

In 2020, the Company drew down a loan amounting to \$5.0 million, that was part of the Singapore government 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 fixed interest rates of between 2.0% and 2.1% per annum. This is significantly below the Group's current borrowing cost.

As 31 December 2022, the amount repayable within and after one year was \$1.8 million (\$1.8 million as at 31 December 2021) and \$2.6 million (\$3.8 million as at 31 December 2021) respectively.

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14. Share Capital

	Group and Company			
	As at 31 Dec 2022		As at 31 Dec 2021	
	Number of shares	Amount	Number of shares	Amount
	'000	\$'000	'000	\$'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	700	33	312	16
Reissuance of treasury shares pursuant to share plan	(800)	(56)	(800)	(43)
As at 31 December	834	42	934	65

The total number of issued shares excluding treasury shares as at 31 December 2022 was 580,712,400 (31 December 2021: 580,612,400).

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

15. Subsequent Event

There are no known subsequent events, as at the date of this announcement, which have led to adjustments to this set of interim financial statements.



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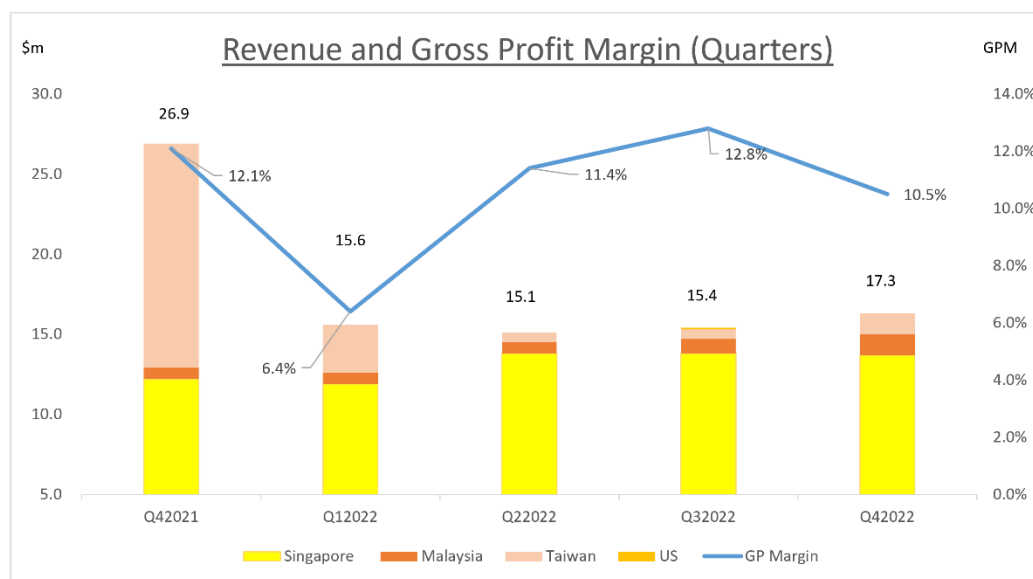
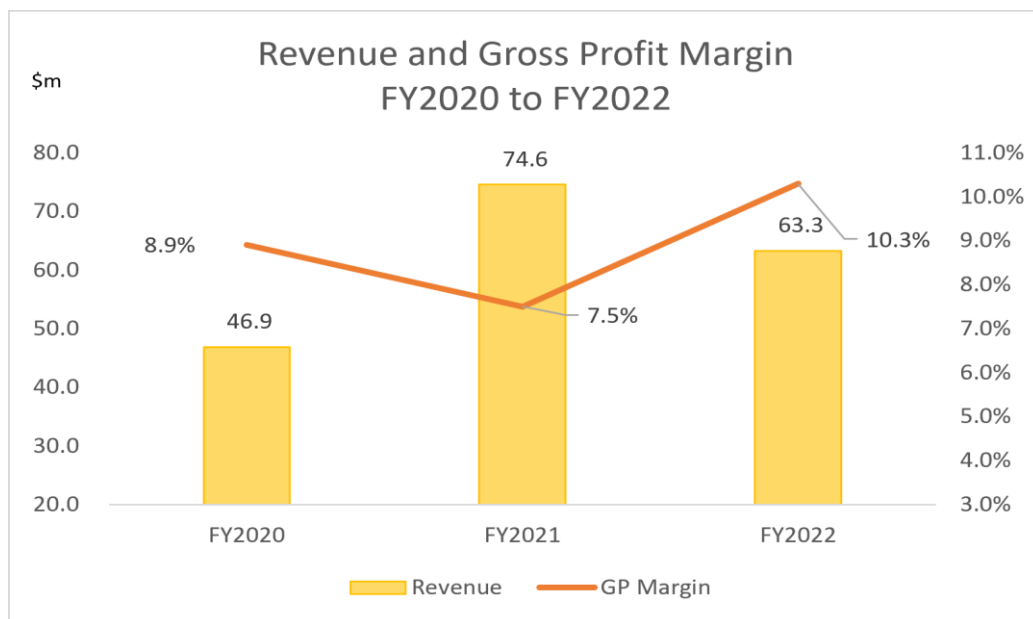
F. Other Information Required by Listing Rule Appendix 7.2

1. Whether the figures have been audited or reviewed

The condensed consolidated statement of financial position of Mun Siong Engineering Ltd and its subsidiaries as at 31 December 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





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2H2022 versus 2H2021

The Group achieved revenue of \$32.7 million for the second half of FY2022 (“2H2022”). A decline of \$11.4 million or 25.8% as compared to the second half of FY2021 (“2H2021”). The decline was primarily due to the absence of high dollar value projects carried out by the Taiwan branch office in 2H2022. In 2H2021, the Taiwan branch office was executing two major turnaround projects for CPC.

Cost of sales declined by \$9.8 million or 25.4% to \$28.9 million for 2H2022. The decline in the cost of sales was in line with the decline in revenue. Both Singapore and Taiwan operations engaged fewer subcontractors in the 2H2022. The Singapore operations increased its direct employed workforce to replace subcontractors which are costly and low in productivity. For the Taiwan operation, there was no high dollar project in the 2H2022 and hence fewer subcontractors were engaged.

The Group registered gross profit and gross profit margin of \$3.8 million (2H2021: \$5.3 million) and 11.6% (2H2021:12.1%) respectively. The lower gross profit in the 2H2022 was due to lower revenue earned in the 2H2022. The gross profit margin remains comparable in both periods.

FY2022 versus FY2021

Comparing FY2022 and FY2021, there was a decline in Group revenue of \$11.4 million or 15.2% to \$63.3 million (FY2022). The decline in revenue was due to the absence of high dollar value projects from the Taiwan operation. In FY2021, it executed two major turnaround projects for CPC.

The cost of sales declined by \$12.3 million or 17.7% to \$56.8 million for FY2022 and was in line with the decline in revenue. The decline was due to the significant reduction in subcontracting costs.

The Group reported gross profit of \$6.5 million (FY2021: \$5.6 million) and gross profit margin of 10.3% (FY2021: 7.5%). The higher gross profit and gross profit margin in FY2022 was due to:

- (1) Finalisation of CPC Kaohsiung 2021 project value (revenue) in Q42022. This project was executed in Q42021 and completed in January 2022. Its costs were substantially recognised in FY2021 which is in line with the Singapore Financial Reporting Standards (International) (“SFRS(I)”). The finalisation of the project, the revenue recognised in FY2022 and cost significantly recognised in FY2021, contributed to profitability of the Group in the current year; and
- (2) Reduction in subcontracting costs per the above reasons.

Singapore Operations

The Singapore operations registered revenue of \$27.6 million in the 2H2022 (2H2021: \$27.3 million), a marginal increase in revenue of \$0.3 million or 1.1% against corresponding period. We registered positive gross profit and gross profit margins in both periods.

Our newly recruited direct employed workforce have to undergo rigorous on-the-job training prior to deployment. During this period, we are unable to charge their costs against our jobsites (billings to our customers). Both this and subdued activities in 2H2022 accounted for the decrease in revenue. Rising costs – like increases in government levies and accommodation costs – also took its toll on our profitability.



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The Singapore operation registered revenue of \$53.3 million for FY2022 (FY2021: \$53.4 million). Although it appears there is a slight drop in revenue in the current year, it should be noted that the revenue in FY2021 includes the benefit of significant backlog orders carried forward from FY2020 (due to Covid-19) to 1H2021.

In both FY2022 and FY2021, the Singapore operations registered positive gross profit and margins. However, due to the increase in above mentioned costs, gross profit margin in the current year declined by 1.3% as compared to FY2021. The savings in lower subcontracting costs (replacement by our own direct employed workforce) were eroded by the increase in costs as mentioned above.

Malaysia Operation

The Malaysia operation registered revenue of \$2.1 million in the 2H2022 (2H2021: \$1.2 million), an increase of \$0.9 million or 80.1%. There were more job activities in 2H2022 as compared to 2H2021 and in 1H2022 as the Pengerang facilities increase its production capacity in the current year. For both periods, the Malaysia operation was able to generate positive gross profit. Gross profit margin in 2H2022 was higher by 4.4% than the gross profit margin in 2H2021 due to reduction in subcontractor costs.

In the 2H2022, the Malaysia operation has begun to recruit direct employed workers to gradually replace the existing subcontractors in view of anticipated increase in job opportunities at the Pengerang facilities. These newly recruited direct employed workers, mostly locals, are unskilled and are currently undergoing on job training. Until their deployment at job sites, these costs will increase our operating costs.

For FY2022, the Malaysia operation achieved a revenue of \$3.4 million compared to \$2.1 million in FY2021 – an increase of 61.3%. Revenue has been on a steady up trend. It registered positive gross profit margins in both financial years.

Taiwan Operation

The Taiwan Operation recorded revenue of \$2.8 million in 2H2022 as compared to revenue of \$15.6 million in 2H2021. A decline of \$12.8 million or 82.2% due to absence of high dollar value projects in the current year. The FY2022 revenue was \$6.4 million as compared revenue of \$19.1 million achieved for FY2021, a decline of \$12.7 million or 66.5%. The decline was due to the absence of high dollar value projects undertaken in FY2022.

The CPC Kaohsiung project undertaken in late 2021 and completed in Q12022 was valued at \$19.2 million. Prior to CPC agreeing to this value, and in accordance with SFRS (I), a significant portion of the costs incurred in this project were recognised in FY2021. In 2H2021, a gross loss of \$215,000 and full year gross loss of \$93,000 were recorded. In FY2022, \$2.1 million was recognised as revenue, which contributed significantly to profitability for the financial year.

Refer to update announcement dated 22 December 2022 for update on the Taiwan Investigation. For the total monetary penalties (including the refund of bid deposits) of TWD7.17 million (equivalent to \$342,000) which we have provided for in 1H2022, CPC has deducted a total of TWD6.09 million (equivalent to \$294,000) against the existing CPC jobs. The Group had written back the amount of TWD1.08 million (equivalent to \$48,000) which the Public Construction Commission (“PCC”) ruled in our favour. Commencing December 2022, the Taiwan Branch Office is being suspended for 3 years from bidding for Government contracts.

US Operation

The US operation registered a maiden revenue of \$0.2 million in the 2H2022 and FY2022. While the cleaning operation is being set up, it embarked on small fabrication jobs. It suffered a gross loss (\$72,000) in 2H2022 and FY2022. The loss is attributed to operating costs.



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Other income and recoveries

Comparing 2H2022 against 2H2021, other income and recoveries increased by \$25,000 or 5.8%. The increase was mainly due to gain on disposal of fixed assets, offset by smaller amount of grants received in the current period.

Comparing FY2022 against FY2021, there was a decrease in other income and recoveries by \$1.2 million or 61.1%. In FY2021, we recovered \$1.1 million of relocation costs (moving workers from dormitories to hotels in FY2020) from the various government agencies for the relocation costs incurred in FY2020. There were also lesser grants received in the current year.

Administrative expenses

2H2022 against 2H2021: decreased by \$2.7 million or 58.3%

Included in administrative expenses are provisions (and write back) for impairment of contract assets and trade receivables.

For background information relating to the impairment of contract assets and trade receivables, please refer to our announcements dated 23 February 2022, 4 August 2022 and 22 December 2022.

Highbase made a series of payments of RM2.3 million to PAE M via HIMS. PAE M has now fully recovered the sum of RM2.3 million. We have written back the impairment losses for trade receivables of RM2.3 million which we have provided for in FY2021.

Contract assets of RM4.7 million, PAE M will be paid based on assignment and other documents signed by Highbase to enable direct payment by Petronas. Subsequently, we received payments pertaining to this assignment before 31 December 2022, amounting to RM1.2 million. For the balance amount, at the date of this announcement, PAE M has yet to receive further instructions from Petronas to submit billings. Consistent with FY2021 accounting treatment, the total outstanding provision for impairment amount for contract assets as at 31 December 2022 amount to RM3.5 million (equivalent to \$1.1 million).

Excluding the above impairments, the administration costs for 2H2022 and 2H2021 would have been \$3.0 million and \$3.3 million respectively. The newly set up US operation incurred administration costs in the 2H2022. On an overall basis, the decrease in costs of \$0.3 million or 8.0% was due to lower salaries costs (reversal of leave provision), lower legal fees and lower general expenses incurred by the other operations.

The adjusted administration costs for FY2022 and FY2021 excluding the above impairments would be \$6.0 million and \$5.4 million respectively. The higher costs of \$0.6 million or 11.6% were due to the setting up costs for the US operations, higher salary costs (salary adjustments and higher headcount) incurred by the other operations and higher legal fees incurred due to Taiwan Investigation and Recovery of Debt from Highbase.

Other operating income/(expenses)

2H2022 against 2H2021: increased by \$1.0 million or 676.5%

The Group recognised a fair value gain of \$30,000 (2H2021 and FY2021: fair value gain of \$65,000) for the investment properties in 2H2022 as well as FY2022.

In Q42022, the Taiwan Dollars ("TWD"), Malaysia Ringgit ("RM") and Singapore Dollars ("SGD") against the US Dollars ("USD") were extremely volatile. We incurred, mostly, an unrealised exchange loss of \$0.9 million in 2H2022 (2H2021: unrealised exchange gain of \$0.1 million) due



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to weakening of TWD and RM against the SGD dollars and strengthening of SGD dollars against the USD dollars. The unrealised exchange losses pertain mostly to the shareholders' loan in which the Company extended to the various operations for their capital expenditure and for working capital purposes.

We incurred mostly unrealised exchange losses of \$1.1 million in FY2022 (FY2021: unrealized exchange gain of \$0.2 million). TWD (which constitute 65% of the total exchange loss for FY2022) and RM are considered as restricted currencies and no hedging instruments are available.

Share of results of an equity accounted investee

The Group recognised its share of profit in HIMS of \$315,000 (2H2022) and \$317,000 (FY2022) as compared to its share of losses of \$322,000 in 2H2021 and \$321,000 in FY2021.

The losses in the previous year came from the impairment loss for the overdue amount from Highbase. As the overdue amount from Highbase was fully recovered in FY2022, HIMS had written back the impairment it had made in the current year, hence we recognised a higher share of profit in the current year.

Finance Income

We recorded a higher finance income in 2H2022 and FY2022. The increase is due to higher interest rates offered for fixed deposits which the Group generally places any excess cash in.

Finance expenses

The Group is still servicing its existing loans, hire purchases and lease liabilities. The Group did not take on additional borrowings during the year. The Group's existing loans and hire purchases ("borrowings") are on fixed interest rates terms and not affected by the current rising interest rates.

Please to "Loans and Borrowings" in paragraph 13.

Tax (expense)/credit

The higher effective tax rate of 48.3% (FY2021: 31.9%) in FY2022 was substantially due to higher tax payable arising from our Taiwan operations. Both the monetary penalties imposed by CPC (which are not tax deductible) and recognition of revenue arising from the CPC Kaohsiung 2021 Turnaround project (which the costs were substantially recognised in FY2021) attributed to the significant increase in effective tax rate in the current year.

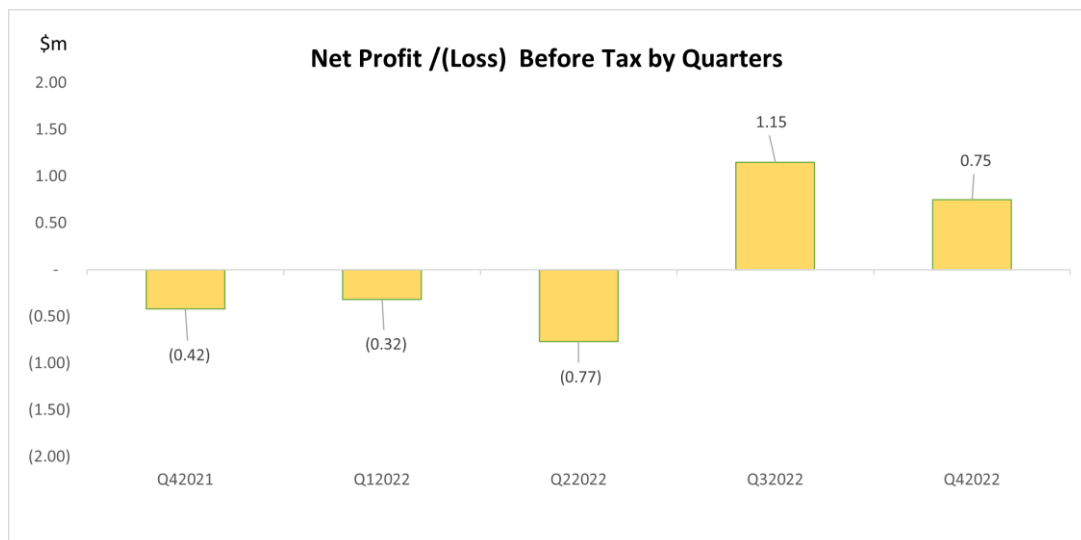
We had provided for additional deferred liability of \$79,000 in FY2022. In FY2021, we wrote back deferred tax liability of \$237,000.



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Current year performance



	2H2022	2H2021	FY2022	FY2021
	\$'000	\$'000	\$'000	\$'000
Net profit before tax	1,899	921	809	680
Normalisation Adjustments - add /(less)				
Impairment (reversal)/loss on trade receivables	(534)	571	(534)	571
Impairment (reversal)/loss on contract asset	(546)	782	338	782
Recovery of decanting costs	-	-	-	(1,117)
Monetary penalties	(48)	-	294	-
Share of (profit)/loss on an equity-accounted investee	(315)	322	(317)	321
Adjusted net profit before tax	456	2,596	590	1,237
Add depreciation	1,654	1,635	3,231	3,284
Add finance costs	64	78	131	157
Adjusted EBITDA *	2,174	4,309	3,952	4,678

*Earnings before tax, interest, depreciation and impairment. It also excludes share of results of an equity accounted investee



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For 2H2022, the Group achieved a profit before tax of \$1.9 million as compared to a net profit before tax of \$0.9 million in 2H2021. This was an increase of \$1.0 million or 106.2%. The EBITDA, for both periods continue to be positive, \$3.3 million (2H2022) and \$3.0 million (2H2021).

FY2022 the Group achieved a profit before tax of \$0.8 million as compared to a profit before tax of \$0.7 million in FY2021. Both financial years, the Group continues to register positive EBITDA, \$3.9 million (FY2022) and \$4.4 million (FY2021).

Taking into account the normalization adjustments as shown in the above table, the adjusted net profit before tax and EBITDA in FY2022 would have been \$0.6 million and \$4.0 million respectively.

Review of statements of financial position

- (i) Property, plant and equipment
Group increased by \$4.9 million
Company decreased by \$1.7 million

Property, plant and equipment includes the right-of-use assets. The increase was due to additions of fixed assets of \$8.5 million offset by depreciation costs of \$3.2 million and disposal of fixed assets of \$0.2 million. There is also a downwards translation difference of \$0.2 million (due to the strengthening of the SGD against RM and TWD).

The additions of fixed assets of \$8.5 million during the year were:

	\$ million
Construction costs pertaining to the Malaysia fabrication yard	1.8
Purchase of US property and equipment to set up the operations in Illinois State, US.	5.0
New lease of Taiwan workshop (classified under rights of use assets)	0.7
Purchase of vehicles and equipment by the various operations	1.0
Total additions for the year	8.5

At the Company level, there was a decrease of \$1.7 million in the current year. The additions of \$1.5 million during the year were offset by the depreciation costs of \$3.0 million and the disposal of assets of \$0.2 million.

- (ii) Investment properties (increased by \$30,000)

The Group has recognised a fair value gain of \$30,000 during the year.

- (iii) Investment in an equity-accounted investee (increased by \$0.3 million)

In FY2021, PAE M took legal action to recover back the overdue amount owing by Highbase (the ultimate debtor). HIMS being the intermediate debtor, made an impairment for the amount claimed of RM2.1 million (equivalent to \$0.6 million). This resulted in the Group recognising its share of losses of RM1.0 million (equivalent to \$0.3 million).

In the current year, Highbase repaid the above overdue amount owing to HIMS and HIMS in turn paid the overdue amount back to PAE M. As the amount was fully recovered from Highbase, the impairment made in FY2021 amounting to RM2.1 million (equivalent to \$0.6 million) was no longer needed. Consequently, the impairment made by the Company on its investment in HIMS is written back and recognising its share of profit in this entity in FY2022.

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(iv) Investments in subsidiaries (decreased by \$1.2 million)

During the year, PAE M redeemed the redeemable convertible preference shares of \$2.6 million held by the Company.

The Company also incorporated a wholly owned Taiwan subsidiary – Pegasus Advance Industrial Company Limited (“PAI”) with a paid-up capital of TWD30 million (equivalent to \$1.4 million).

(v) Non-current other receivables (increased by \$12.8 million)

During the year, the Company extended various shareholder loans to the various subsidiaries. There are no non-current third party other receivables balances in the current financial year. The loans provided through the various intermediate holding companies within the Group, were for the construction of the fabrication yard in Malaysia, setting up of the US operations, injection of share capital in PAE M to redeem the convertible preference shares and general working capital purposes. The loans are unsecured, interest bearing and have a loan tenor of 3 years.

(vi) Inventories

Group increased by \$32,000
Company increased by \$21,000

Purchase of materials to be used for our operation purposes.

**(vii) Contract assets (Group decreased by \$3.7 million)
Contract liabilities (Group decreased by \$1.4 million)**

As at 31 December	FY2022	FY2021	Variance
	\$'000	\$'000	\$'000
Contract assets	6,985	10,403	(3,418)
Less impairment for contract assets	(1,057)	(782)	(275)
Net contract assets	5,928	9,621	(3,693)

Please refer to pages 13 to 14 for details on the impairment

At the Group and Company levels, the decline in contract assets (excluding impairments) of \$3.4 million and \$4.3 million respectively was due to absence of high dollar value projects from the Taiwan operations in the current year. In Q42021, the Taiwan Operations were in the midst of executing the CPC Kaohsiung turnaround project as at 31 December 2021. Malaysia operations also registered an increase in contract assets of \$0.8 million for FY2022.

The Group and Company did not receive any advances from customers for its current projects as at 31 December 2022. Hence, a nil balance in contract liabilities as at 31 December 2022 (31 December 2021: \$1.4 million).

(viii) Trade and other receivables

Group decreased by \$8.1 million
Company decreased by \$9.1 million

As at 31 December, trade and other receivables were \$15.5 million (2022) and \$23.6 million (2021).

Trade receivables declined by \$10.3 million in the current year. The higher trade receivables balances in FY2021 were due to partial billing of \$10.5 million to CPC for the CPC Kaohsiung

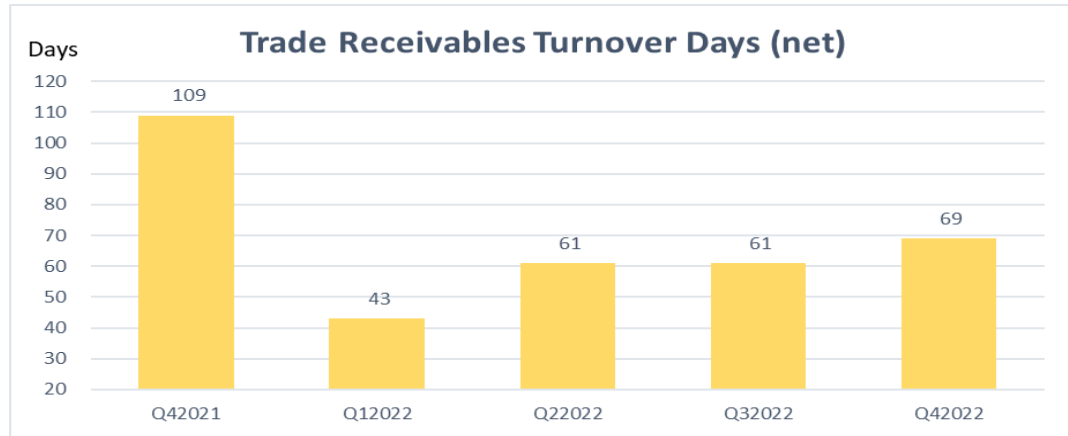


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turnaround project 2021; this amount was fully paid up in January 2022. There was no high dollar value project billing as at 31 December 2022.

As at 9 February 2023, \$6.3 million or 52.3% of trade receivables as at 31 December 2022 has been realised.



Trade receivables turnover has improved from 109 days (as at balance sheet date FY2021) to 69 days (as at balance sheet date FY2022). The higher trade receivables turnover days of 109 days was due to the CPC Kaohsiung turnaround project 2021 that was undertaken and substantially completed in 4Q2021, just prior to the close of the financial year FY2021. Excluding the CPC Kaohsiung turnaround from the computation it would have been 72 days for FY2021.

Other receivables increased by \$2.2 million mainly due:

- (a) Downpayment placed with vendor for the purchase of 26 Gul Way and as well as paid stamp duty, totaling \$1.5 million. We will capitalise these costs as fixed assets when the transaction is completed on 28 February 2023 (refer to announcement – receipt of JTC consent letter dated 2 February 2023); and
- (b) Downpayment of \$1.0 million placed with the various vendors for the purchase of equipment for the setting up of US operations.

At the Company level, trade and other receivables decreased by \$9.1 million due to the above reasons.

- (ix) Loans and Borrowings (Decreased by \$1.1 million)

Loans and borrowings comprise of the temporary bridging loan, hire purchase and lease liabilities.

The decrease was mainly due to repayment of the temporary bridging loan and lease liabilities. The Group did not take on additional bank loans during the year.

Please refer to “Loans and Borrowings” at paragraph 13.

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- (x) Trade and other payables
Group level: decrease of \$10.5 million.
Company level: decrease of \$11.1 million

The higher trade and other payables balances in FY2021 were mainly due to the amount owing to subcontractors pertaining to the CPC Kaohsiung Turnaround project. In FY2022, there were absence of high dollar value projects in the various operations which explained the decrease in balances in both the Group and Company levels.

- (xi) Provision (increased by \$26,000)

This relates to provision for restoration costs and provision for reworks. The increase was due to unwinding of discount on provision for restoration costs.

- (xii) Tax payable
Group decreased by \$32,000
Company increased by \$5,000

The tax payments were higher than the tax provision made, hence there was a decrease in tax payable of \$32,000 at Group level.

At the Company level, we have provided additional tax provision for the current year.

- (xiii) Deferred tax liabilities (increased by \$79,000)

We have provided additional deferred tax liability in the current year.

- (xiv) Treasury shares (decreased by \$23,000) and share based compensation reserve (increased by \$16,000)

Reissuance of 800,000 treasury shares (\$56,000) during the year under the Group's Performance Share Plan. The Group recognised \$40,000 of share-based compensation expense in FY2022.

In addition, the Group purchased 700,000 treasury shares in the open market amounting to \$33,000 in FY2022.

Review of cash flow statement

The Group reported a cash balance of \$28.6 million as at 31 December 2022. A decrease of \$6.4 million compared to 31 December 2021.

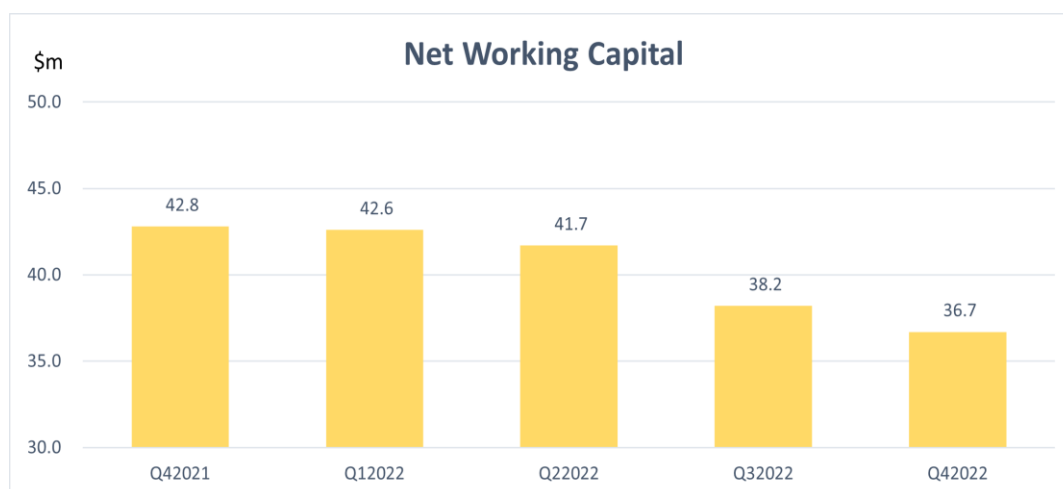
	\$ million
Net cash generated from operating activities	2.0
Net cash used in investing activities	(6.2)
Net cash used in financing activities	(2.3)
Effect of exchange rate fluctuation	0.1
Net decrease in cash balances	(6.4)

At the Company level there was a decline of \$8.9 million to \$23.1 million. The decrease was due to the downpayment and stamp duty paid for 26 Gul Way and shareholders' loan given to the various entities within the Group to finance the construction costs and setting up of the US operations.



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Net working capital (current assets less current liabilities) was \$36.7 million as at 31 December 2022. The decline of \$6.1 million from 31 December 2021 was mainly due to the above reasons.

As at 31 December 2022, our gross debt ratio was at 8.0% (31 December 2021: 10.0%; 31 December 2020: 11.8%).

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 restrictions on imports of Russian crude oil, imposed by major governments in response to its occupation of Ukraine, has caused sharp increases in crude oil prices. The sharp increases, arising from fear of supply disruptions, allowed multi-national oil companies to record extraordinary profits, benefitting their shareholders.

European and the United States governments have been in recent days voicing their displeasure over these extraordinary profits, viewing it as an unfair transfer from consumers (including governments) to these multi-national companies' shareholders. They (Governments) are pushing towards diverting these profits away from these shareholders, through taxation, to government coffers. This will allow governments to continue an expansionary fiscal spending to avert a possible recession.

The Group is dependent on the capital and investment expenditures (much of which are reinvestment of profits) of our business partners – which are multi-national oil companies – for its revenue. From an optimistic viewpoint, to minimise tax liabilities should extraordinary profits become taxable, the reinvestments of profits (through capital and investment expenditures) may be expedited, which works to our benefit. Both increases in capital and investment expenditures are complementary to expansionary fiscal policies.



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It is likely that both the pace and magnitude of increases in interest rates (by various central banks to counter inflationary pressure) to be restrained and moderated in 2023 compared to 2022. There are signs that inflationary pressures have been tamed and stabilised within a tolerable range. Stability in interest rates are conducive towards capital and investment expenditures.

The Monetary Authority of Singapore, in checking inflation, has taken steps to strengthen the SGD against currencies of our major trading partners. It is likely that the SGD will continue to remain strong and trades within a tighter range against these currencies (including RM, USD and TWD). In the last three financial years, non SGD revenue on the average contributed 16.9% to our total revenue. The translation of non SGD revenue and cash holdings to SGD (the base currency of our financial statements) may have significant impact on our financial performance.

Singapore Operations

Long-term maintenance contracts, typically over 5 years, are currently our main revenue generator. The majority of these contracts are currently in their midterm. The rates entered into then and the current cost structure, the Group will incur substantial operating losses. Management, has during FY2022, started to renegotiate the rates, taking into account the recent steep increases in operating costs arising from inflation.

During the height of the pandemic, travelling restrictions and border closures, we were unable to meet the minimum headcounts imposed by our business partners. This has prevented us from both undertaking and being awarded with more job orders. However, the opening of borders and lifting of travelling restrictions, since early FY2022, our direct employed workforce has been increasing steadily. Currently we have met the headcounts imposed by business partners. The new recruits are undergoing various training, skills and safety, and will be ready for deployment in Q32023.

Malaysia Operations

Our Malaysia team continues to engage the Pengerang facilities management team and this have yield positive results, translating to steady revenue growth. Presently, there are preliminary planning discussions of a turnaround project in FY2024. Demonstrating our commitment and readiness, to assume major work orders, PAE M has been steadily increasing its direct employed workforce. PAE M will be the subcontractor to HIMS, the holder of the master service contract awarded by Petronas in 2019. Note that the discussions are preliminary and the award of work (including its value) is at the discretion of Petronas.

As at the date of this announcement, the fabrication yard is more than 60% completed. It will become operational by the end of FY2023. Both the fabrication and workshop facilities will be housed at this location. For cost competitive reasons certain activities (including equipment) will be shifted from Singapore to this location. For details of the commitments, please refer to page 17 for more details.

As mentioned in page 23, PAE M is waiting for further instructions from Petronas to submit billings for the balance of contract assets of RM3.5 million (equivalent to \$1.1 million) as at 31 December 2022. Consistent with FY2021 accounting treatment, this amount of RM 3.5 million continues to be impaired until payments have been received by PAE M. The write back will have a positive impact on the financial performance for FY2023.



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Taiwan Operation

From the Group's perspective it has achieved closure on the recent actions (both monetary penalties and suspension for 3 years) that CPC has taken against our Taiwan Branch Office. To-date based on court proceedings, none of the Group's personnel or the Company have been named as a defendant in the alleged bribery case. The audit committee, during the year, has done an internal audit review of the Taiwan Branch Office operations. The review has since been completed and Management is currently implementing the recommendations as suggested by the internal auditors.

In late FY2022, the Group established a wholly owned subsidiary, Pegasus Advance Industrial Company Limited ("PAI"). The paid-up share capital of PAI is \$1.4 million. This entity will continue our efforts to seek opportunities in Taiwan.

PAI has recently entered into a 3-year rental agreement for 45,000 square feet space to house its fabrication and hydro jetting facilities.

US Operation

The workshop will be operational by 1H2023. PIM has commenced its marketing efforts and is in the process of seeking to be pre-qualified by a number of prospective business partners. A number of them have on-going business relationship with the Company in Singapore.

Working Capital

The Group has made three substantial capital commitments in the last 12 months. These are the acquisition of 26 Gul Way, construction of fabrication facility in Johor (Malaysia) and the US investment in a repair and cleaning workshop in Illinois State. In total these commitments amounting to \$26.6 million in which \$9.5 million have been spent as at 31 December 2022. These commitments have been substantially funded by internal 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. In the current rising interest rates, profitability and consequently dividend pay-outs will be negatively impacted.

5. Dividend Information

5a. Current Financial Period Reported on

Any dividend recommended for the current financial period reported on?

Yes. Proposed final dividend but not recognised as a liability in the current financial year is as follows:

Name of dividend	Final
Dividend type	Cash
Amount	0.04 cents per ordinary share
Tax rate	Tax exempt (one-tier)

The Directors are pleased to propose a final tax exempt one-tier cash dividend of 0.04 cents per share (FY2021: tax exempt one-tier cash dividend of 0.04 cents per share and tax exempt one-tier cash special dividend of 0.02 cents per share) in respect of the financial year ended 31 December 2022. The proposed dividend is subject to shareholders' approval at the forthcoming Annual General Meeting.

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5b. Corresponding Period of the Immediate Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?
Yes

FY2021

Name of dividend	Final	Special
Dividend type	Cash	Cash
Amount	0.04 cents per ordinary share	0.02 cents per ordinary share
Tax rate	Tax exempt (one-tier)	Tax exempt (one-tier)

5c. Date Payable

To be announced later. The proposed dividend is subject to shareholders' approval at the forthcoming Annual General Meeting.

5d. Books Closure Date

To be announced later. The proposed dividend is subject to shareholders' approval at the forthcoming Annual General Meeting.

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.

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8. Disclosure of persons occupying managerial positions in the Company or any of its principal subsidiaries who is a relative of a director, CEO or substantial shareholder of the Company pursuant to Rule 704(13).

Pursuant to Rule 704 (13) of the Listing Manual, the following is a list of persons occupying managerial positions in the Company or the Company's principal subsidiaries who are relatives of a director, chief executive officer and/or substantial shareholder of the Company:-

Name	Age	Family relationship with any director, CEO and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Cheng Woei Fen	65	Mother of Quek Kian Teck (substantial shareholder) and Quek Kian Hui (Executive Deputy Chairman)	Executive Chairlady cum CEO Responsible for overall management, formulation of business plans, strategic positioning, and business expansion of Mun Siong Engineering Group (the "Group"). Year when position was first held: 2000	N.A.
Quek Kian Hui	38	Son of Cheng Woei Fen (Executive Chairlady cum CEO)	Executive Deputy Chairman Assist the Chairlady cum CEO in management of the operations of Mun Siong Engineering Limited. Year when position was first held: 2021	N.A.

On behalf of the Board of Directors

Cheng Woei Fen
Executive Chairlady

Quek Kian Hui
Executive Deputy Chairman

28 February 2023