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GUIDANCE TO THE FINANCIAL PERFORMANCE AND POSITION OF THE GROUP FOR THE FIRST QUARTER ENDED 31 MARCH 2023

Mun Siong Engineering Limited (the "**Company**"), together with its subsidiaries and equity-accounted investee (the "**Group**"), wishes to provide guidance on its first quarter financial performance ended 31 March 2023.

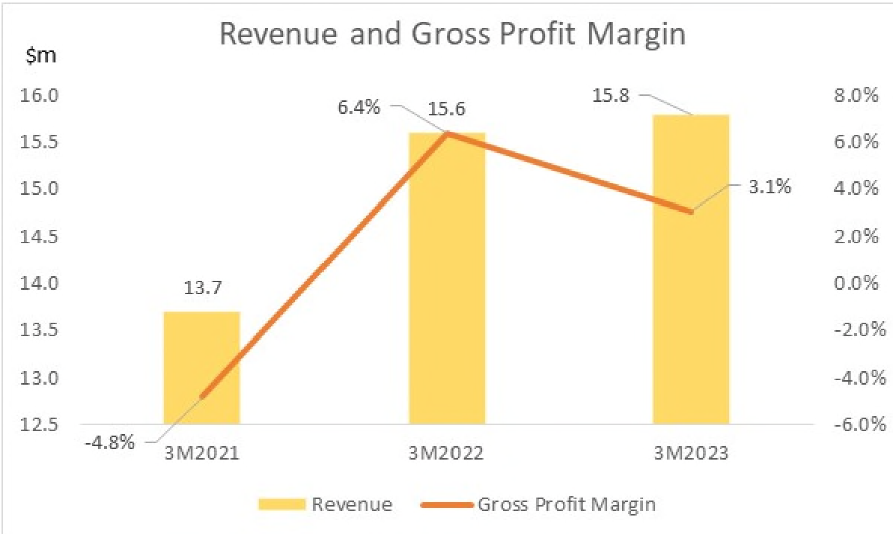
The Group had on 20 February 2020 announced that it will discontinue with quarterly reporting of the Company and the Group financial statements. The Company will now announce the financial statements of the Company and the Group on a half-yearly basis, in compliance with the amended listing rules, announced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

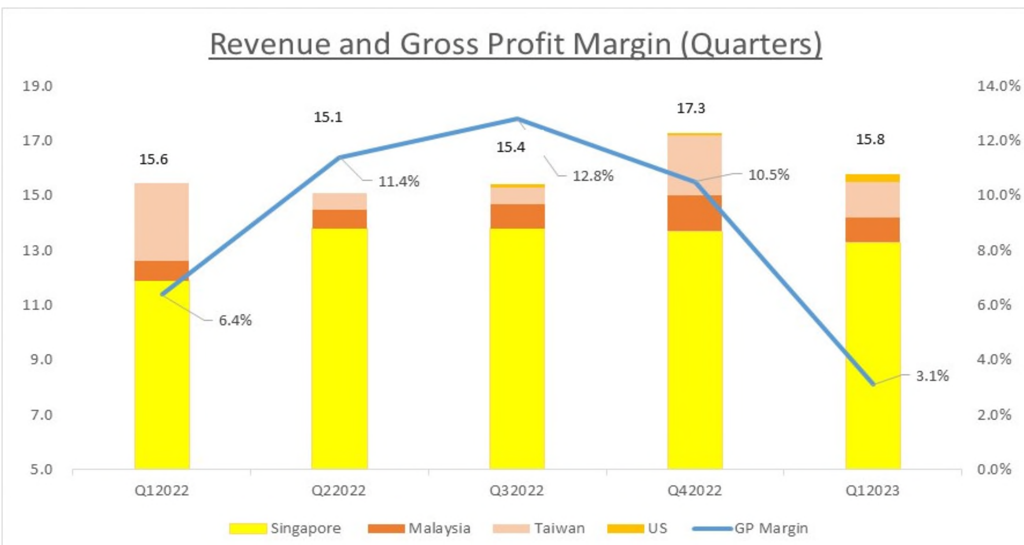
The Board of Directors would like to provide guidance on the Group's financial performance and position in view of the current uncertain economic environment. This guidance is part of our continuous engagement between the Board of Directors and the various stakeholders such as shareholders, investors,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

It should be noted that the information below is based on the Group's management accounts and they were prepared on the accounting principles described and consistent with the Group's Annual Report FY2022. The Group's auditors, Messrs KPMG LLP, have not reviewed these management accounts and the guidance statement given below. The statement contained in the paragraph "Operating Environment" should not be construed as forward-looking statement relating to the Group's future performance. In the event there are material changes in our business or the operating environment that we are working in, we will make the necessary announcement on the SGX-ST.

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

Review of Financial Performance





For the period ended 31 March 2023 ("1Q2023"), the Group achieved a revenue of $15.8 million, an increase of $0.2 million or 1.6% against the corresponding period ended 31 March 2022 ("1Q2022").

Revenue	1Q2023	1Q2022	Variances	
	$ million	$ million	$ million	%
Singapore	13.3	11.9	↑ 1.4	12.4
Taiwan	1.3	3.0	↓1.7	(58.9)
Malaysia	0.9	0.7	↑0.2	38.1
US	0.3	-	↑0.3	NA
Total Revenue	**15.8**	**15.6**	**↑0.2**	**1.6**
Cost of Sales	15.3	14.6	↑0.7	5.2
Gross Profit	**0.5**	**1.0**	**↓0.5**	**(51.4)**
Gross Profit margin	**3.1%**	**6.4%**		

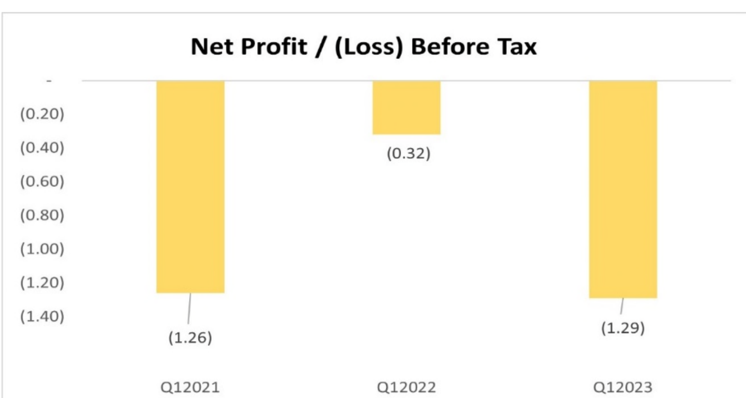
In the period under review, the Singapore operations registered an increase in revenue of $1.4m or 12.4% to $13.3 million arising from more jobs undertaken. It registered positive gross profit and margins in both periods – 1Q2023 and 1Q2022. However, our profitability in the current period was affected by rising operating costs (higher government levies and accommodation). Comparing the gross margins in 1Q2023 and 1Q2022, the gross profit margin was lower by 3.3% in the current period.

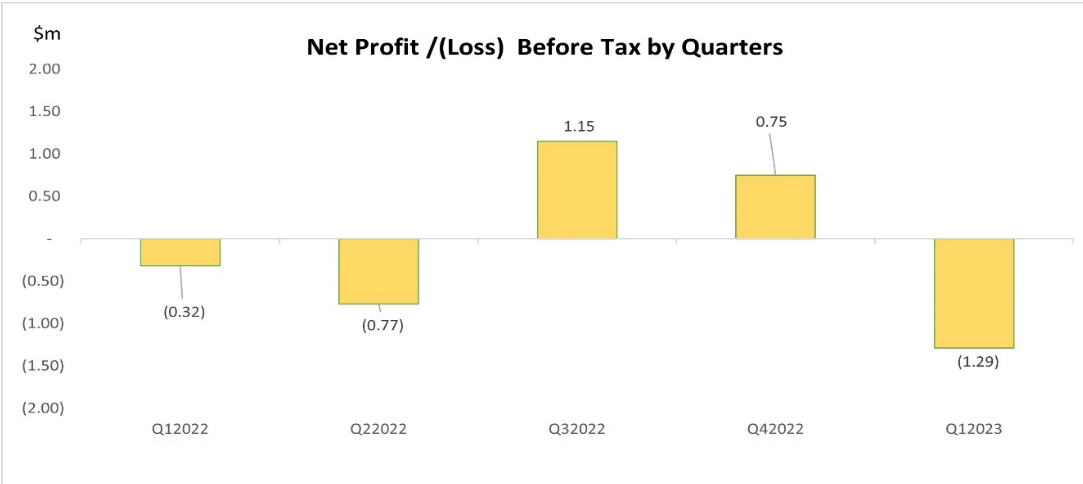
In 1Q2022, the Taiwan operations completed a turnaround project for CPC Kaohsiung towards the end of January 2022. The Taiwan Branch is currently serving a 3 years suspension, effective December 2022, imposed by CPC Taiwan. This resulted in a sharp decline in revenue by $1.7 million or 58.9% to $1.3 million. It registered positive gross profit and gross profit margins in both periods.

The Malaysia operations continue to show a gradual improvement in revenue, which can be evidenced in the past 5 quarters. Comparing 1Q2023 to 1Q2022, there is an improvement in revenue of $0.2 million or 38.1% to $0.9 million. It registered positive gross profit and gross profit margins in both periods.

The US company commenced operations in 4Q2022. In March 2023, it received its first maiden cleaning orders towards the end of 1Q2023. It incurred an operating loss.

Net profit /(loss) before tax:



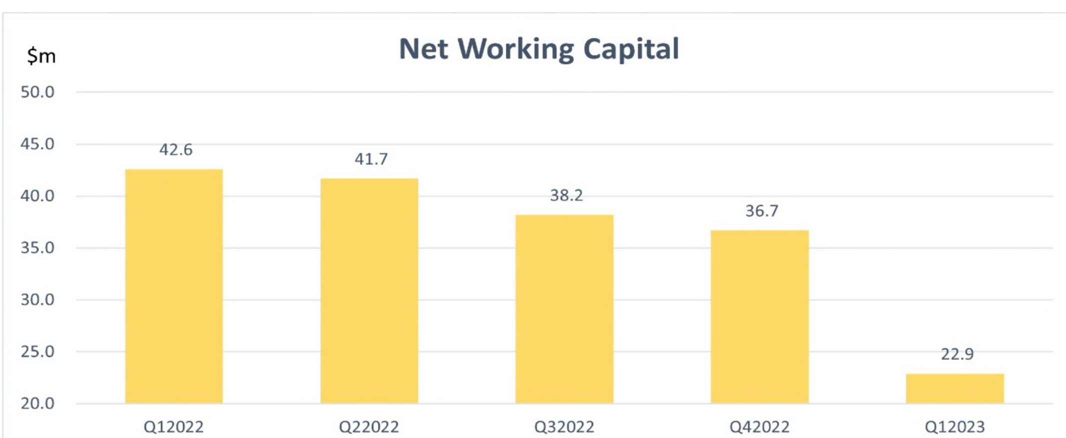


Administration costs increased by $0.6 million or 49.2% to $1.9 million in 1Q2023 (1Q2022: $1.3 million). The cost increase is attributed to the newly setup US operations and higher salary costs for the Singapore operations (due to salary adjustments made in 2H2022).

The Group incurred a net loss before tax of $1.29 million in 1Q2023 as compared to a net loss before tax of $0.32 million in 1Q2022. The widening of losses is attributed to the absence of substantial profit contribution from the Taiwan Branch office, the US operations which has just commenced operations and the rising costs in the Singapore operations (government levies and accommodation).

Review of financial position of the Group as at 31 March 2023

As at 31 March 2023, the Group's shareholders' funds stood at $53.8 million (31 December 2022: at $55.1 million and 31 March 2022: at $54.7 million). The net tangible assets per share as at 31 March 2023 was at 9.2 cents per share (31 December 2022: at 9.5 cents per share ;31 March 2022: at 9.4 cents per share).

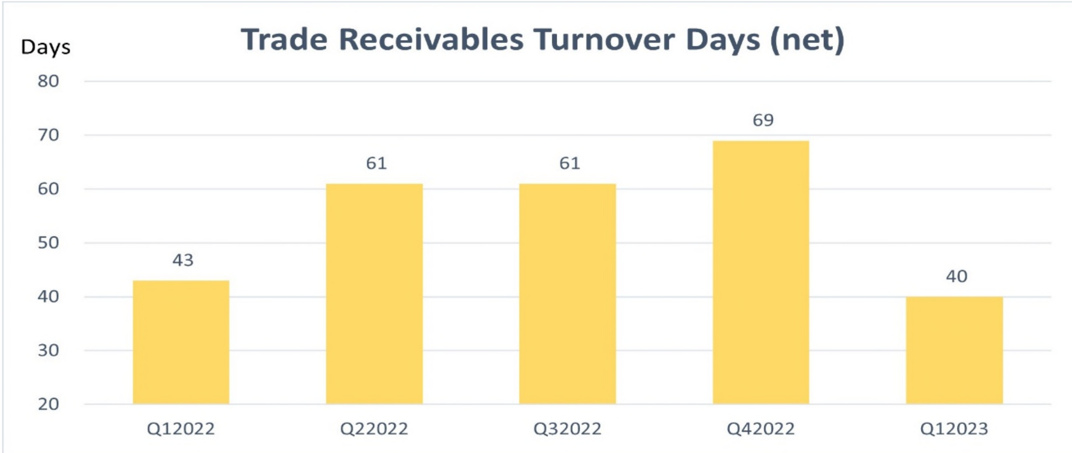


Net working capital (current assets less current liabilities) as at 31 March 2023 was $22.9 million (31 December 2022: $36.7 million; 31 March 2022: $42.6 million). The decline in net working capital by $13.8 million or 37.6% was due to the following:

Changes in net working capital between 31 March 2023 and 31 December 2022			
		$’ million	Remarks
Contract assets (net of impairment)	↑	4.35	Timing of billing of completed work done in 1Q2023. Work completed but yet to issue invoices as pending our business partners to accept completion of work done.
Trade receivables	↓	(4.98)	The decline was due to collections and lesser billings made in the current quarter.
Prepayments, deposits and other receivables	↓	(0.46)	Mainly due to the reclassification of deposits (placed for purchase of 26 Gul Way and purchased of equipment for the US operations) to fixed assets.
Bank and cash	↓	(15.48)	The significant decline was due to the balance payment (90% of the purchase consideration) of $9.9 million for 26 Gul Way, purchase of equipment for the US facility ($0.7 million) and cash outflow for working capital requirements.
Trade and other payables and accruals	↓	2.77	Mostly due to payments to suppliers.
Net changes	↓	(13.80)	

At the date of this announcement, Pegasus Advance Engineering Sdn Bhd (“PAE M”) is still waiting for further instructions from Petronas to submit billings for the balance of contract assets of RM3.5 million (equivalent to $1.1 million). Upon PAE M receiving payments, the Group will write back the impairment which will have a positive impact on the financial performance for FY2023. Impairment amount made for these contract assets as at 31 March 2023 was $1.1 million (31 December 2022: $1.1 million).

Trade receivables as at 31 March 2023 was $7.0 million (31 December 2022: $12.0 million and 31 March 2022: $7.3 million). As at 25 April 2023, the Group realized $3.0 million or approximately 43.1 % of its outstanding trade receivables as at 31 March 2023. No impairment was deemed necessary for the remaining outstanding trade receivables.



The bank and cash balances as at 31 March 2023 stood at $13.2 million (31 December 2022: $28.6 million and 31 March 2022: $34.1 million). Refer to the above table for the explanation in the decline of $15.5 million between 31 March 2023 and 31 December 2022.

Total Borrowings including lease liabilities as at 31 March 2023 was $5.4 million (31 December 2022: $4.4 million and 31 March 2022: $5.1 million). The Group did not take on additional bank borrowings in 1Q2023. The Group recognized a lease liability (and a corresponding rights of use assets) of $1.4 million in March 2023 being the recognition of the lease for 26 Gul Way. As at 31 March 2023, our gross debt to shareholders' fund ratio was 10.0% (31 December 2022: 8.0% and 31 March 2022: 9.4%).

Operating Environment

Singapore Operations

It continues to form a significant portion of our revenue. As we are able to meet our business partners' headcounts requirements towards the end of FY2022, we are able to solicit and undertake more jobs.

The majority of our 5-year long-term maintenance contracts are in their mid-term. In view of rising operation costs arising from inflation and changes in government regulations, in FY2022, management had started to renegotiate their contract rates with the business partners. The rates entered then and the current cost structure, the Group has incurred substantial operating losses. The outcomes from these discussions are encouraging.

We completed the purchase of 26 Gul Way on 28 February 2023. To avoid disruptions in providing our services to our business partners, we have planned our relocation in stages. We aim to completely move into 26 Gul Way before 30 June 2023. Thereafter, we will proceed with the reinstatement of 35 Tuas Road in which we must return back to JTC in mid-August 2023. We are still in discussion with JTC on the scope of reinstatement work to be carried out. As at 31 December 2022, the reinstatement provision was $1.3 million.

Malaysia Operations

Our efforts in engaging Pengerang facilities management continue to yield results as evident by continuous improvement in revenue. Training for our direct employed workforce to increase productivity, translating to improving profit margins, is ongoing.

The fabrication yard is now more than 70% completed and is expected to be fully operational by this year end. It will enable us to undertake more jobs from the Pengerang facilities and Singapore.

Taiwan Operations

The impact of a 3 years suspension, commencing December 2022, imposed by CPC Taiwan has caused a sharp decline in revenue from Taiwan. The revenue and profit contributions from Taiwan to the Group in the last three financial years were significant. Efforts are made to explore new business opportunities to offer specialized services to potential clients.

US operations

The operating assets are substantially in place and ready to commence execution of work orders. Marketing efforts are being spearhead by the marketing- vice president since February 2023 and intensified recently as the facilities is now ready to accept job orders.

Two major plants and facilities operators have pre-qualified our facilities recently making way for them to commence placing work orders to us when opportunities arise. A number of other customers are currently working with us to pre-qualify our facilities. Majority of these plants and facilities operators are located within 50 miles radius of Pegasus Industrial Midwest.

Working Capital

Arising from both capital expenditure and lower revenue, the Group is witnessing a decrease and tightening in cash balances (decrease from $28.6 million as at 31 December 2022 to $13.2 million as at 31 March 2023) and working capital ($36.7 million as at 31 December 2022 and $22.9 million as at 31 March 2023) respectively.

As at 31 March 2023, $20.3 million of the $24.5 million committed capital expenditure (internally funded to the purchase of 26 Gul Way, construction of the fabrication facility in Johor (Malaysia) and investment in the US operations) has been utilized. The remaining amount $4.2 million will be utilized in FY2023.

Improvements in revenue and maintaining profitability would bring about an improvement in both cash balances and working capital.

By order of the Board

Cheng Woei Fen
Executive Chairlady

4 May 2023