



MUN SIONG ENGINEERING LIMITED

(Incorporated in the Singapore)

(Company Registration No 196900250M)

**GUIDANCE TO THE FINANCIAL PERFORMANCE AND POSITION OF
THE GROUP FOR THE FIRST QUARTER ENDED 31 MARCH 2024**

Mun Siong Engineering Limited (the “**Company**”), together with its related companies (the “**Group**”), wishes to provide guidance on its first quarter financial performance ended 31 March 2024.

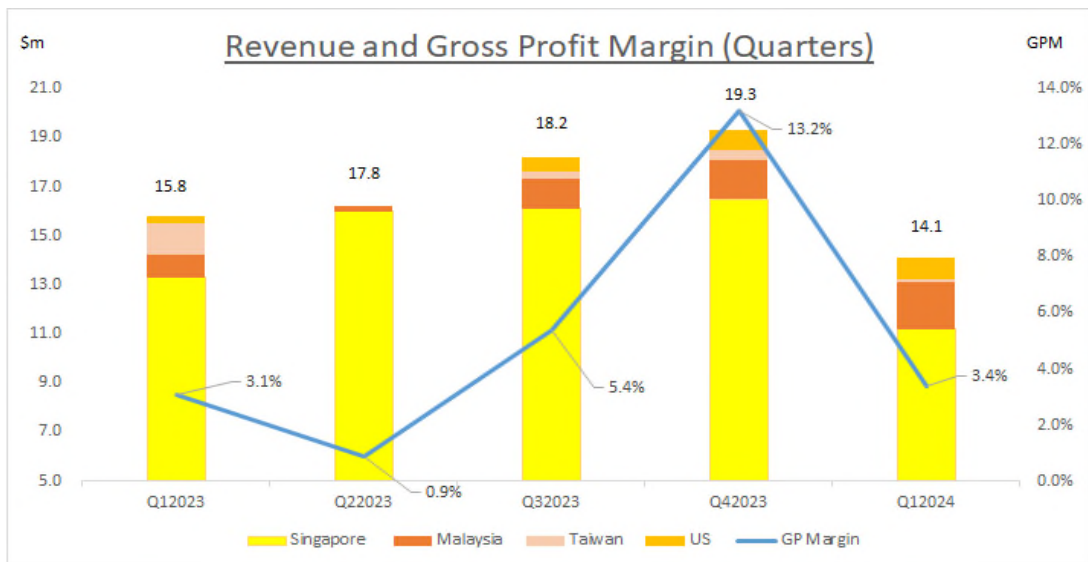
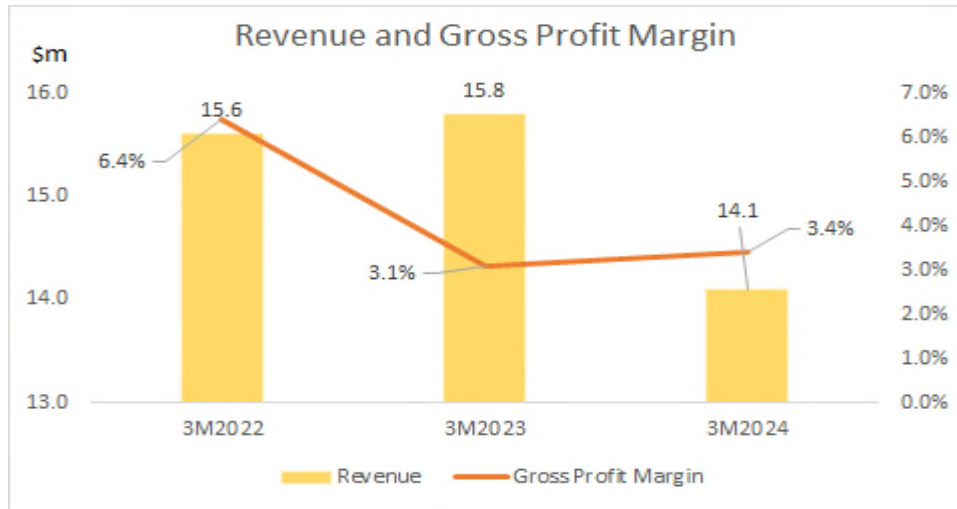
The Group had on 20 February 2020 announced that it will discontinue with quarterly reporting of the Company and the Group financial statements. The Company will now announce the financial statements of the Company and the Group on a half-yearly basis, in compliance with the amended listing rules, announced 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 FY2023. The Group’s auditors, Messrs KPMG LLP, have not reviewed these management accounts and the guidance statement given below. The statement contained in the section “Operating Environment” should not be construed as a 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



Summary of the Group Financial Performance:

Revenue	1Q2024	1Q2023	Variances	
	\$'000	\$'000	\$'000	%
Singapore	11,271	13,332	(2,061)	-15.5%
Taiwan	109	1,252	(1,143)	-91.3%
Malaysia	1,888	914	974	106.6%
US	859	319	540	169.3%
Total Revenue	14,127	15,817	(1,690)	-10.7%
Cost of Sales	13,644	15,330	(1,686)	-11.0%
Gross Profit	483	487	(4)	-0.8%

The Group registered revenue of \$14.1 million and \$15.8 million in the first quarter of 2024 (“1Q2024”) and first quarter of 2023 (“1Q2023”) respectively. The decrease in revenue of \$1.7 million or 10.7% came mainly from the Singapore and Taiwan operations.

Cost of sales declined by \$1.7 million or 11.0% from \$15.3 million (1Q2023) to \$13.6 million (1Q2024). The decline in the cost of sales was in line with the decline in revenue.

Gross profit and gross profit margin for 1Q2024 was \$0.5 million (1Q2023: \$0.5 million) and 3.4% (1Q2023: 3.1%) respectively. Despite the decline in revenue, the current quarter gross profit margin of 3.4% was a slight improvement from the gross profit margin of 3.1% achieved in 1Q2023.

Singapore operations

Singapore operations continue to be the main revenue contributor in both quarters – 79.8% (1Q2024) and 84.3% (1Q2023). It registered \$11.3 million in 1Q2024 as compared to a revenue of \$13.3 million in 1Q2023, a decline in revenue of \$2.0 million or 15.5%. It registered positive gross profits in both quarters in which the 1Q2024 gross profit margin was higher by 4.2% as compared to 1Q2023 gross profit margin. The significant improvement in the gross profit margin was due to better management of resources (human and equipment) and costs.

We have been contracted to perform a Turnaround project for a business partner in the second half of FY2024, whereas for this same business partner, the 2023 Turnaround project was completed in the first quarter of 2023. However, like all our contracts, commencing of work is at the discretion of the business partner(s). Its estimated contract value for this coming Turnaround project is \$1.4 million, excluding any additional work orders, and is expected to be completed within FY2024.

Malaysia operations

There was an increase in work activities due to the shutdown of Pengerang facilities in 1Q2024. Revenue increased by \$1.0 million or 106.6% to \$1.9 million in 1Q2024 as compared to \$0.9 million in 1Q2023. Contribution to the Group’s revenue was 13.4% in 1Q2024 and 5.8% in 1Q2023. It registered positive gross profit margins in both quarters.

Taiwan operations

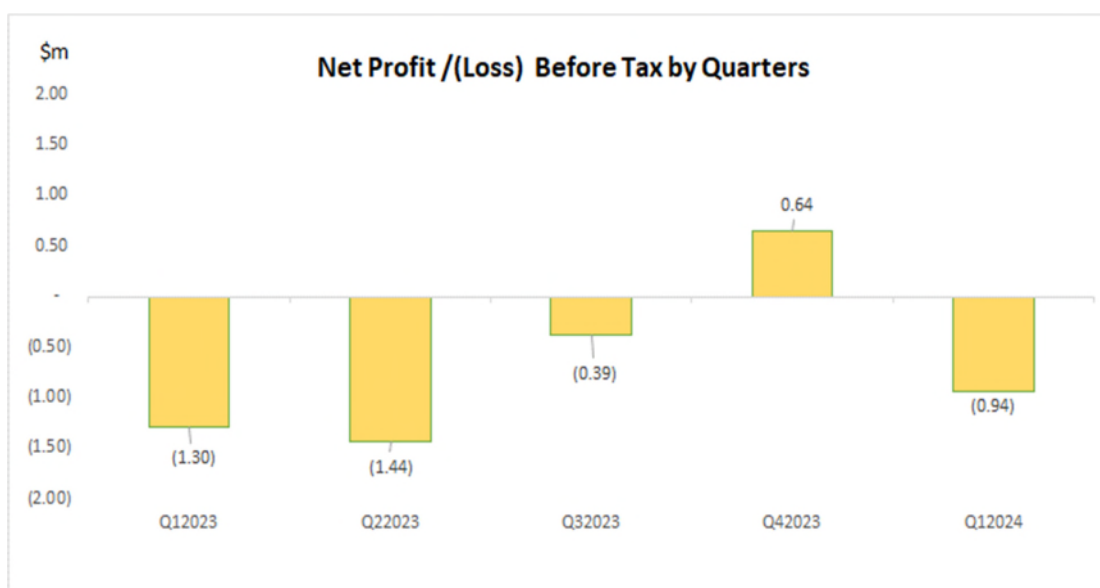
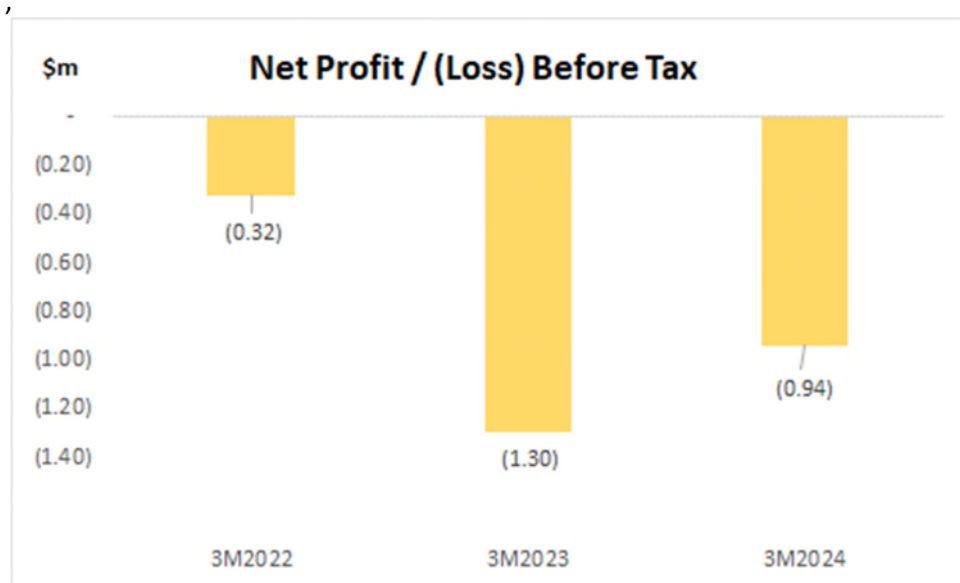
Due to lack of sufficient track record for reference, we continue to pick up significantly smaller jobs as compared to those in previous financial years. Consequently, our revenue declined significantly from \$1.3 million (1Q2023) to \$0.1 million (1Q2024). It registered gross profit in 1Q2023 as compared to a gross loss in 1Q2024.

US operations

Revenue in 1Q2024 was \$0.9 million compared to \$0.3 million in 1Q2023. It commenced operations in FY2023. In both 1Q2023 and 1Q2024 it suffered gross losses. The higher losses incurred in 1Q2024 was mainly due to costs incurred to prepare for the Turnaround project which commenced in April 2024. This Turnaround project was completed in May 2024 and its revenue

and profit will be recorded in 2Q2024.

Net profit / (loss) before tax:



Operating losses:

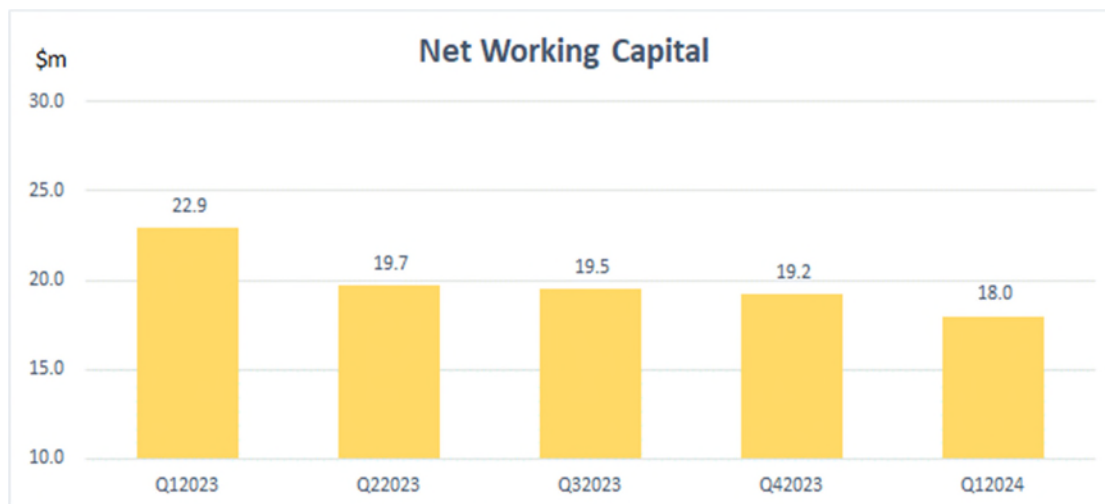
The Group incurred a net loss before tax of \$0.9 million in 1Q2024 (1Q2023: net loss before tax of \$1.3 million). In both 1Q2023 and 1Q2024, administrative expenses, a major expense, were comparable at \$1.9 million. Lower operating losses were attributed to the improvement in resource management in both human and equipment.

The Earnings Before Interest, Tax, Depreciation and Amortization (“EBITDA”) for 1Q2024 was negative \$0.2 million as compared to a negative EBITDA of \$0.4 million for 1Q2023.

Review of financial position of the Group as at 31 March 2024

As at 31 March 2024, the Group’s shareholders’ funds stood at \$50.9 million (31 December 2023: at \$52.0 million and 31 March 2023: at \$53.8 million). The net tangible assets per share as at 31

March 2024 was at 8.8 cents per share (31 December 2023: at 9.0 cents per share; 31 March 2023: at 9.2 cents per share). The decline in both the shareholders' funds and net tangible assets per share were attributed to the operating losses incurred for 1Q2024.

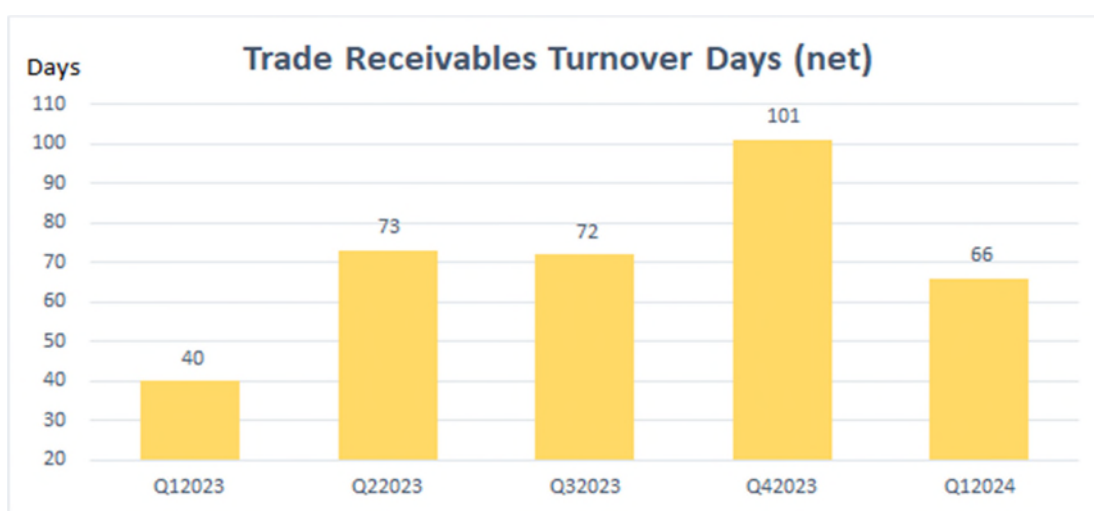


Net working capital (current assets less current liabilities) as at 31 March 2024 was \$18.0 million (31 December 2023: \$19.2 million; 31 March 2023: \$22.9 million). Comparing 31 March 2024 and 31 December 2023, the decline in net working capital was \$1.2 million or 6.2%. Please see table for explanations:

Changes in net working capital between 31 March 2024 and 31 December 2023			
		\$' million	Explanations
Contract assets (net of impairment and contract liabilities)	↑	1.0	Our business partners are taking longer time to accept our completed job orders before we could proceed with the billings. For the Malaysia operations, Pegasus Advance Engineering Sdn Bhd ("PAE M"), the impairment for contract assets as at 31 March 2024 remains at RM478,000 (equivalent to SGD136,000). No movement since 31 December 2023. We have been discussing with Prefchem (an affiliate of Petronas) to approve these work orders and expedite payments to PAE M.
Trade receivables	↓	(9.5)	The decrease was mainly due to realizations and lesser billings made in the current quarter.
Prepayments, deposits and other receivables	↑	0.5	The increase was mainly due to higher prepayment of expenses and downpayment for the purchase of equipment for our operations.
Bank and cash	↑	2.9	The increase was mainly due to realizations from our trade receivables. The Group did not take on additional loans from our banks or Shareholder's Loans (revolving credit facilities provided by Madam Cheng Woei Fen) in the period

			under review. Please refer to announcement dated 28 February 2024-revolving credit facility agreements (SGD1.5 million and RM1.0 million) with Madam Cheng Woei Fen for more details.
Trade and other payables and accruals	↓	3.9	Mostly due to payments to suppliers and less accrual of expenses (lesser work activities) made in the first quarter of 2024.
Net changes	↓	1.2	

Trade receivables as at 31 March 2024 was \$10.2 million (31 December 2023: \$19.6 million and 31 March 2023: \$7.0 million). As at 30 April 2024, the Group realized \$5.1 million or approximately 50.2% of its outstanding trade receivables as at 31 March 2024. No impairment was deemed necessary for the remaining outstanding trade receivables.



The bank and cash balances as at 31 March 2024 stood at \$12.6 million (31 December 2023: \$9.7 million and 31 March 2023: \$13.2 million).

Total borrowings including lease liabilities as at 31 March 2024 was \$3.5 million (31 December 2023: \$3.9 million and 31 March 2023 \$5.4 million). The decrease of \$0.4 million between 31 March 2024 and 31 December 2023 was due to repayment of loans. The Group did not take on additional loans in 1Q2024. As at 31 March 2024, our gross debt to shareholders' fund ratio was 6.9% (31 December 2023: 7.4% and 31 March 2023: 10.0%).

The decrease in cash and cash equivalents (consequently contraction in working capital) since FY2023 was substantially due to capital expenditures and much lesser on operating losses. For the period ended 31 March 2024, 31 December 2023 and 30 June 2023, net cash generated from operating activities was \$3.7 million (positive), \$8.1 million (positive) and \$10.7 million (negative) respectively.

The Group has imposed restrictions on major capital commitments since the end of FY2023.

Operating Environment

Singapore Operations

One of the main causes of the disappointing performance is rising operating costs. Many of our long-term maintenance contracts were entered into pre-Covid, prior to steep increases in current costs, and changes to manpower policy by the government. These contracts are due for renewal in 2025/2026.

The relevant government authorities have yet to revert to us on the extent of the reinstatement needed at the waterfront in our previous office, 35 Tuas Road. We have made a provision of \$2.1 million as at 31 December 2023.

Malaysia Operations

We believe that there are opportunities for more work at the Pengerang facilities.

Taiwan Operations

Our Taiwan wholly owned subsidiary, Pegasus Advance Industrial Company Limited (“PAI”), in 1Q2024, was awarded a few small dollar value jobs from both existing and new customers. Some of these works are outside of the process industries (Eg construction and food industries). These works will be completed within FY2024.

US Operations

Pegasus Industrial Midwest LLC (“PIM”) completed the turnaround project in May 2024. This business partner operates a facility with a capacity of 270,000 barrels per day. The recently completed turnaround will provide more job opportunities and will serve as a good reference to other potential business partners.

By order of the Board

Cheng Woei Fen
Executive Chairlady

9 May 2024