



MUN SIONG ENGINEERING LIMITED

(Incorporated in the Singapore)

(Company Registration No 196900250M)

26 Gul Way, Singapore 629199

Tel. +65 64116570

Fax +65 68620218

GUIDANCE TO THE FINANCIAL PERFORMANCE AND POSITION OF THE GROUP FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2024

Mun Siong Engineering Limited (the “**Company**”), together with its subsidiaries and equity-accounted investee (the “**Group**”), wishes to provide guidance on its third quarter financial performance ended 30 September 2024.

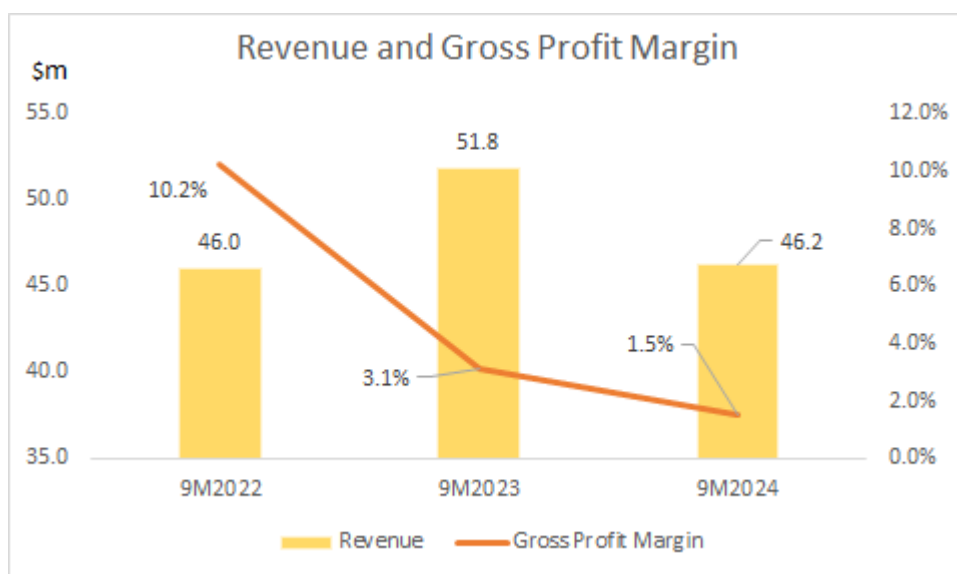
The Group had on 20 February 2020 announced that it will discontinue with quarterly reporting of the Company and the Group financial statements. The Company will now announce the financial statements of the Company and the Group on a half-yearly basis, in compliance with the amended listing rules, announced 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 paragraph “Updates” and “Financial Performance and Position Guidance” 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:

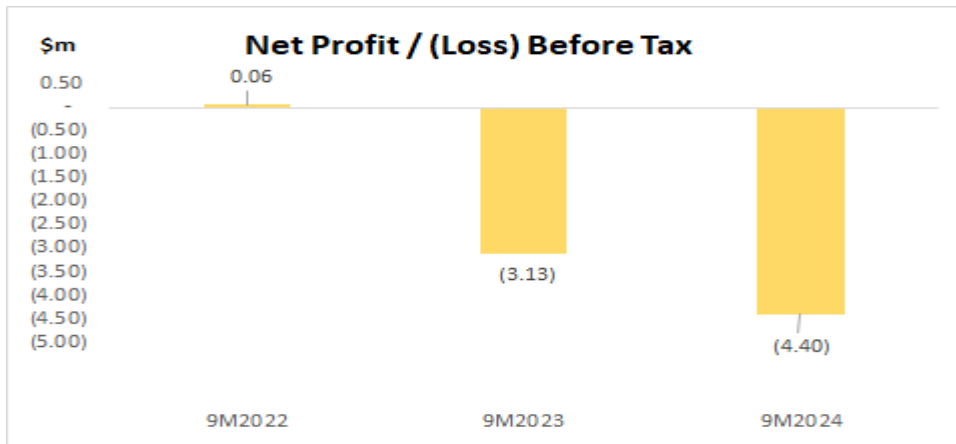
Revenue	Q32024	Q32023	Variances		9M2024	9M2023	Variances	
	\$ million	\$ million	\$ million	%			\$ million	\$ million
Singapore	13.2	16.2	(3.0)	-18.3%	34.2	45.5	(11.3)	-24.8%
Taiwan	0.5	0.3	0.2	92.3%	1.2	2.1	(0.9)	-42.9%
Malaysia	1.0	1.2	(0.2)	-18.9%	5.1	2.8	2.3	82.1%
US	1.1	0.6	0.5	87.1%	5.7	1.4	4.3	307.1%
Total Revenue	15.8	18.2	(2.4)	-13.4%	46.2	51.8	(5.6)	-10.8%
Cost of Sales	16.8	17.3	(0.5)	-2.9%	45.5	50.2	(4.7)	-9.4%
Gross Profit	(1.0)	1.0	(2.0)	-200.0%	0.7	1.60	(0.9)	-56.2%
Gross Profit margin	-6.3%	5.5%			1.5%	3.1%		

Period Ended 30 September 2024 ("9M2024")

Revenue and Gross Profit Margin:

For the period ended 30 September 2024 ("9M2024"), the Group achieved a revenue of \$46.2 million, a decrease of \$5.6 million or 10.8% against the corresponding period ended 30 September 2023 ("9M2023"). Cost of sales also declined by 9.4%, in line with the decline in revenue. Gross profit margins for 9M2024 and 9M2023 were 1.5% and 3.1% respectively. The lower gross profit and margin in the current period were due to the decline in revenue.

Net profit /(loss) before tax:



Administration expenses in the period under review were \$5.4 million (9M2023: \$5.7 million). The decline in administration expenses of \$0.3 million or 5.7% was due to the absence of costs pertaining to our previous premise (35 Tuas Road -reinstatement costs) and reduced write back of impairment of contract assets in the current period (as the amounts were substantially recovered).

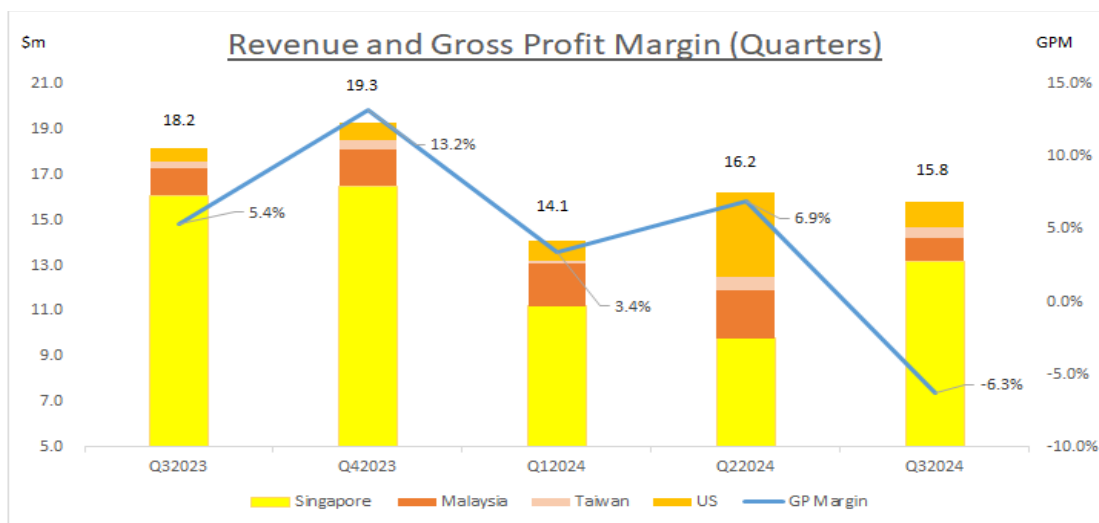
The Group also incurred a lower exchange loss of \$0.2 million in the current period as compared to exchange losses of \$0.3 million in the corresponding period.

In the period under review, other income and recoveries declined by \$1.0 million or 72.5% to \$0.4 million. The decline was due to lesser sales of scraps and absence of sublet rental income.

Cumulatively, the Group recorded a net loss before tax of \$4.4 million and \$3.1 million for 9M2024 and 9M2023 respectively. The significant losses came from the Singapore and US operations.

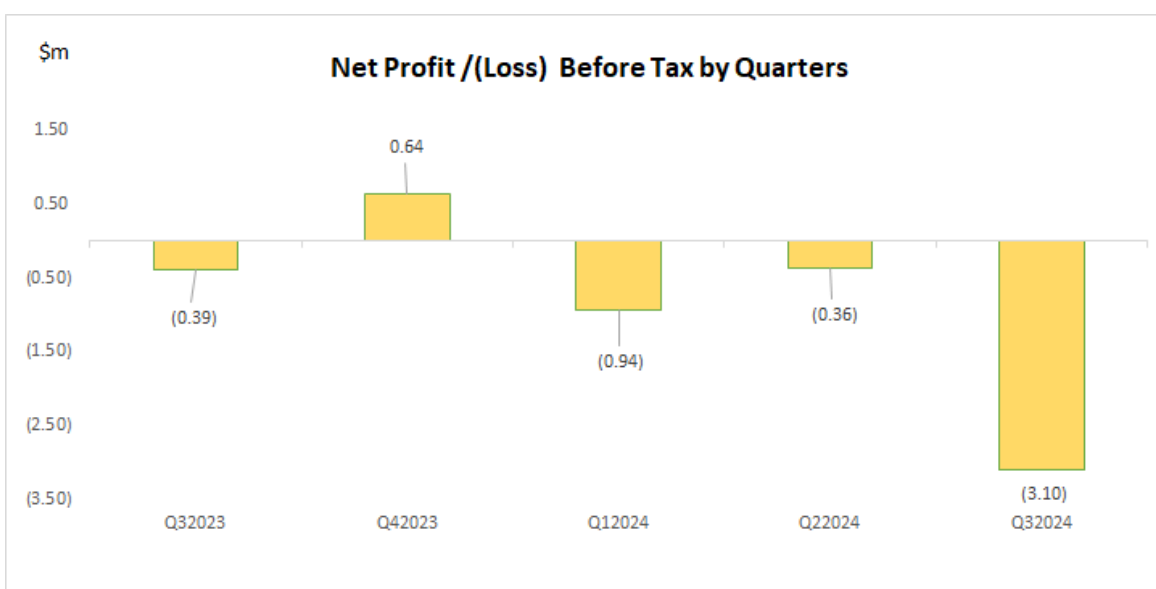
The Earnings Before Interest, Tax, Depreciation and Amortization (“EBITDA”) for 9M2024 was negative \$2.3 million as compared to a negative EBITDA of \$0.3 million for 9M2023.

Third Quarter 2024 (“3Q2024”) Performance



Revenue and Gross Profit Margin:

The Group recorded a revenue of \$15.8 million for 3Q2024, a decrease of \$2.4 million or 13.4% as compared to revenue of \$18.2 million in the third quarter of 2023 ("3Q2023"). The Group incurred a gross loss of \$1.0 million in 3Q2024 as compared to a gross profit of \$1.0 million in 3Q2023. The gross profit margin in 3Q2024 and 3Q2023 was negative 6.3% and positive 5.5% respectively. The significant decline in gross profit and gross profit margin in the current quarter was due to lower revenue contributions from the Singapore, Malaysia and US operations. The Malaysia and US operations contributed significantly to the gross losses in the current quarter.



Administration expenses in 3Q2024 were \$1.7million (9M2023: \$1.6 million), an increase of \$0.1 million or 6.6% against the corresponding period.

The Group incurred unrealized exchange losses of \$0.7 million in 3Q2024 as compared to an exchange gain of \$10,000 in 3Q2023. The higher exchange losses in the current quarter were due to the strengthening of SGD dollars against the USD dollars. The exchange losses arose mainly from the intercompany loans extended by the Company to the various subsidiaries.

For 3Q2024, the Group incurred a net loss before tax of \$3.1 million (3Q2023: net loss before tax of \$0.4 million).

Review and Updates by Operations:

Singapore Operations:

It registered revenue of \$13.2 million in 3Q2024, a decline in revenue of \$3.0 million or 18.3% against the corresponding quarter.

Maintenance work at a significant business partner (it announced on 8 May 2024 that it had sold their plants and facilities at Bukom to a group comprising an Indonesian Party and a global commodity trading company) continues to slow down pending the handing over to the new owner. Comparing 3Q2024 and 3Q2023 and 9M2024 and 9M2023, revenue from this significant business partner has declined by 44% and 40% respectively. Due to contractual obligations under the existing maintenance agreement (which ended in September 2024), we are unable to reduce or redeploy the direct workforce from Bukom to other job sites within the Singapore operations.

As a result, we registered lower productivity efficiency in the current quarter.

Two projects completed in the third quarter of FY2024, we are in the midst of finalizing the project values with these business partners. Consistent with our accounting policies, we have recognized the costs in 9M2024 without the inclusion of the additional revenue from these works.

Both the lower gross profit and gross profit margin in 3Q2024 and 9M2024 were primarily due to lower revenue and to some extent the two projects described in the preceding paragraph.

Malaysia Operations:

Revenue declined by \$0.2 million or 18.9% to \$1.0 million for the current quarter. The decline in revenue was due to the following:

- i. for the past nine months up to 30 June 2024, our business partner PRefchem had increased its maintenance work activities due to shut down of the different sections of the plant. Since then, it has scaled down the volume of maintenance work activities as the plant has gradually resumed start-up operations.
- ii. As the maintenance work scope could not be accurately defined during the above shut down period, for expediency, PRefchem issued lump sum open purchase orders to contractors.

Costs incurred for these work orders were recognized in 9M2024, however, as PRefchem has yet to approve these invoices revenue (additional), approximately \$0.6 million was not recognized – consistent with our accounting policies.

The lower revenue, gross loss and negative gross margin is primarily due to (ii).

Taiwan Operations:

It achieved revenue of \$0.5 million in the current quarter, an increase of \$0.2 million or 92.3% as compared to the corresponding quarter. It registered gross profit in the current quarter as compared to a gross loss in the corresponding quarter. It continues to execute smaller dollar value jobs.

North America Operations:

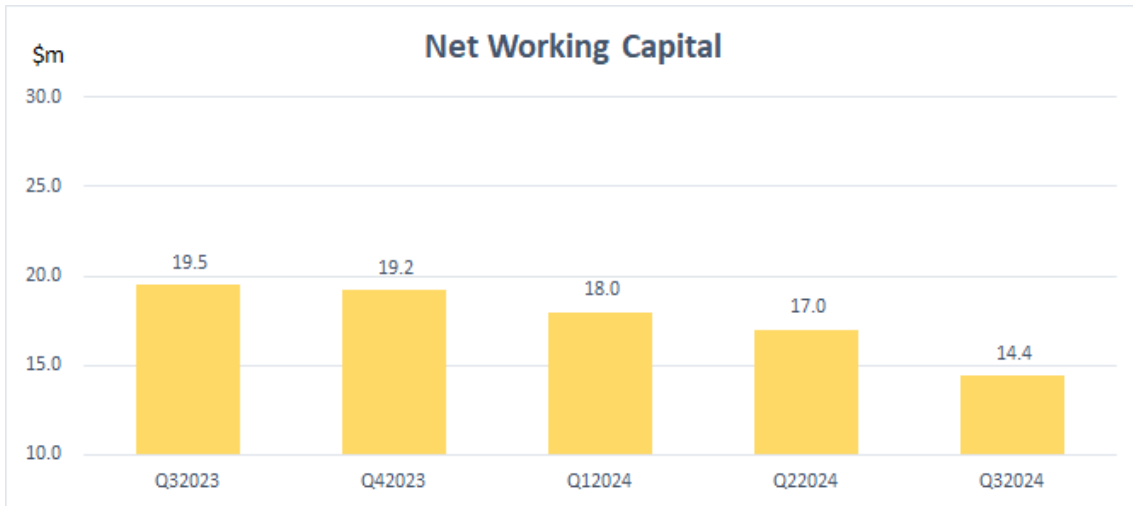
It achieved revenue of \$1.1 million in the current quarter, an increase of \$0.5 million or 87.1% against the corresponding quarter. The higher revenue in the current quarter includes a Turnaround project for a plant operator (with 450,000 barrels per day processing capacity). This Turnaround project commenced in the last week of September 2024 and was completed as the date of this announcement.

There were significant costs incurred, related to this project, prior to commencement. These include reorganizing process flow and enhancement to existing wastewater treatment systems – amounting to \$0.4 million, costs which we have recognized in 9M2024.

The above Turnaround work has been completed and its final value is pending approval from the business partner.

Review of financial position of the Group as at 30 September 2024

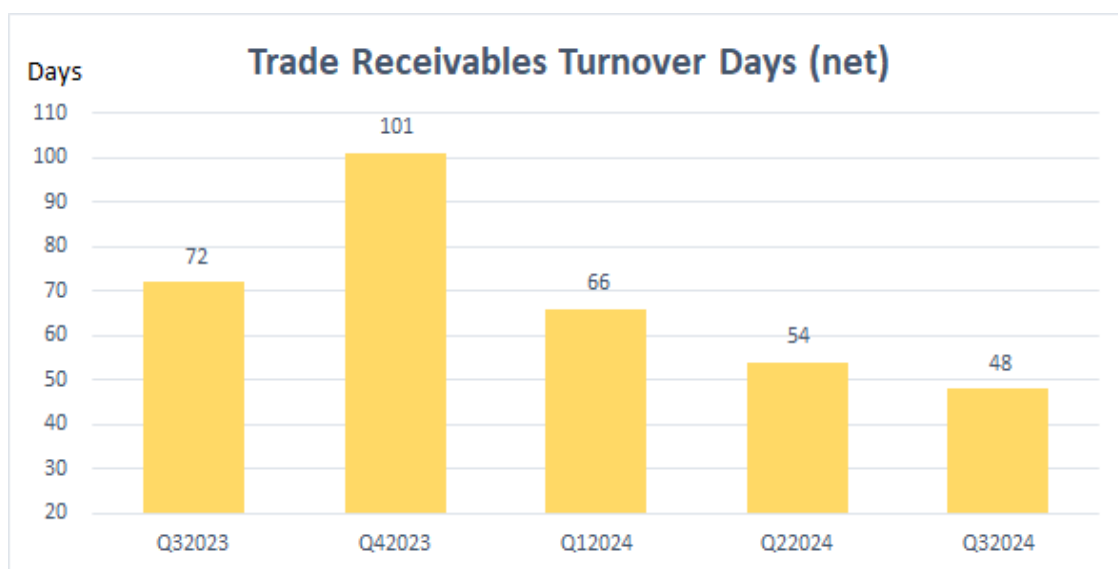
As at 30 September 2024, the Group's shareholders' funds stood at \$47.7 million (31 December 2023: at \$52.0 million and 30 September 2023: at \$51.5 million). The net tangible assets per share as at 30 September 2024 was at 8.2 cents per share (31 December 2023: at 9.0 cents per share; 30 September 2023: at 8.9 cents per share). The decline in both the shareholders' funds and net tangible assets per share were attributed to the operating losses incurred for the 9 months ended 30 September 2024.



Net working capital (current assets less current liabilities) as at 30 September 2024 was \$14.4 million (31 December 2023: \$19.2 million; 30 September 2023: \$19.5 million). Comparing 30 September 2024 and 31 December 2023, the decline in net working capital was \$4.8 million or 25.0%. Please see table for explanations:

Changes in net working capital between 30 September 2024 and 31 December 2023			
		\$' million	Explanations
Contract assets (net of impairment and contract liabilities)	↑	6.4	<p>The increase was due to the timing of billings. Some of our business partners are taking a slightly longer time to approve our completed work orders before we can bill them.</p> <p>The impairment of contract assets balances as at 30 September 2024 was \$53,000 (equivalent to RM172,000) – the ultimate debtor is PRefchem (an affiliate of Petronas). To date, we have received 95% of the assignment balances.</p>
Trade receivables	↓	(11.7)	The decrease was due to the conversion of trade receivables into cash.
Bank and cash	↓	(1.6)	<p>Cash outflow arising from operating activities of \$1.3 million, cash outflow from investing activities of \$1.0 million (mostly purchase of fixed assets) and cash inflow from financing activities of \$0.4 million. Exchange rate fluctuation of \$0.3 million.</p> <p>The cash inflow from financing activities consists of the loan from the executive chairlady/controlling shareholder of \$1.8million (please see below). This cash inflow offsets the loan repayment (including lease liabilities) of \$1.1 million, interest payout of \$0.1 million and dividends payout of \$0.2 million.</p>
Trade and other payables and accruals	↓	(3.4)	The decrease was due to the timing of payments of trade payables.
Borrowings (current liabilities)	↑	1.8	The Group borrowed \$1.8 million from executive chairlady and controlling shareholder in August 2024. Please refer to the announcement dated 28 February 2024 – Entry into Revolving Facility Agreements (SGD 1.5 million and RM 1.0 million) with executive chairlady and controlling shareholder as an Interested Person Transaction.
Tax payable	↓	(0.5)	Declined was due to timing of payments.
Net changes	↓	(4.8)	

Trade receivables as at 30 September 2024 were \$8.0 million (31 December 2023: \$19.6 million and 30 September 2023: \$13.7 million). As at 29 October 2024, the Group realized \$3.4 million or approximately 42.5% of its outstanding trade receivables as at 30 September 2024. No impairment was deemed necessary for the remaining outstanding trade receivables.



As at 30 September 2024, the debtor turnover days were 48 days (31 December 2023: 101 days and 30 September 2023: 72 days). The lower debtor turnover days of 48 days was the result of slower billings, as some of our business partners are taking a slightly longer time to approve the completed work orders. This resulted in lower trade receivable balances.

The bank and cash balances as at 30 September 2024 stood at \$8.1 million (31 December 2023: \$9.7 million and 30 September 2023: \$8.2million). Refer to the above table for the explanation in the decline of cash balances of \$1.6 million between 30 September 2024 and 31 December 2023.

Total borrowings including lease liabilities as at 30 September 2024 were \$4.7 million (31 December 2023: \$3.9 million and 30 September 2023: \$5.4 million).

	As at 30-Sep-24 \$'000	As at 31-Dec-23 \$'000	As at 30-Sep-23 \$'000
Bank loans - Temporary Bridging loans (to be fully repaid in August 2025)	1,246	2,196	2,509
Short Term loan - working capital	-	-	1,000
IPT Loan -working capital	1,817	-	-
Lease liabilities including hire purchase (secured)	1,587	1,670	1,857
	<u>4,650</u>	<u>3,866</u>	<u>5,366</u>
Gross Debt ratio	9.70%	7.40%	10.40%

In 3Q2024, the Group borrowed \$1.8 million from the executive chairlady/controlling shareholder ("Interested Party Transaction Loan" or "IPT loan") for the Group's working capital needs. The IPT loans comprises of SGD 1.5 million and RM 1.0 million (equivalent to SGD317,000) and bear interest rates at 3.60% pa and 3.00% pa respectively. Both these loans are for a 3-month tenor maturing in November 2024.

The Group entered into a hire purchase agreement in July 2024 to purchase equipment. The loan amount is \$54,000 and is payable (including interest) over a period of eleven months.

Financial Performance and Position Guidance

The operating environment:

Amid recent lower global oil prices and weaker oil demand, our business partners have scaled back some of their maintenance activities. For some project works originally scheduled for next year, have now been deferred to the year after. Competition is intense (pricing) when the Group bids for new jobs.

Our operations:

Singapore: Two key business partners have just renewed their maintenance contract with the Group. The Bukom maintenance contract, which ended in September 2024, was renewed for another two years – plants and facilities there will be handed over to the new owners by the end of 2024. Following the business partner's inclusion of more service providers at Bukom, the area under the renewed contract is reduced significantly. Another business partner (whom the Singapore operations has more than 50 years of relationship) has renewed the maintenance contract for another six years with increase in area. In view these developments, there will be significant reductions in our directly employed workforce – reducing our operating costs.

Malaysia: Lower revenue and both negative gross profit and gross margins for 3Q2024, primarily due to approximately \$0.6 million of additional revenue pending approval by our business partner (PRefchem) – revenue recognition lagging behind. Based on our experience, some of these revenue may be recognized in FY2025.

Moving forward, the resumption of operation of the plant and volatility in both financial and commodities markets may defer major upgrading or turnaround works. These will reduce work opportunities for us.

North America: We completed a major turnaround work after 9M2024 – including this a total of two major turnaround works to-date. Prior to commencement of turnaround work in late September 2024, it incurred significant costs amounting to \$0.4 million related to this work order. These costs were included in 9M2024 and primarily attributed to both negative gross profit and gross margins. As at the date of this announcement, this Turnaround work has been completed and is awaiting approval from the business partner (an operator with processing capacity of 450,000 barrels per day) before the final revenue is recognized.

We believe the two business partners (with significant plants and facilities) that we completed work in FY2024 will provide us opportunities to solicit for further opportunities. The track record gained will give confidence to other business partners.

Operating losses incurred by the Singapore operations for 9M2024 are significant to the Group's operating losses and unlikely we can overcome these losses over the remaining 3 months of FY2024. Both Malaysia and North America operations are unable to contribute positively to reduce these operating losses. North America operation, which attributed to significant portion of the operating losses in FY2023, will see a narrowing of losses. The Group will likely incur significant operating losses for FY2024.

Liquidity will be tight due to significantly reduced revenue and operating losses. Both working capital and cash balances for 9M2024 were reduced significantly.

As at the date of this guidance announcement, the Group has utilized a total of \$4.6 million of credit facilities, comprising S\$1.5 million and RM1.0 million (equivalent to SGD317,000) from executive chairlady/controlling shareholder (3 months tenor ending November 2024) and \$2.8 million (3 months tenor ending January 2025) from financial institutions. The former were extended at 3.60% pa (S\$) and 3.00% pa (RM) and the latter at 4.37% pa.

By order of the Board

Cheng Woei Fen
Executive Chairlady

12 November 2024