



MUN SIONG ENGINEERING LIMITED

SECOND QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE
PERIOD ENDED 30 JUNE 2014



MUN SIONG ENGINEERING LIMITED

(Incorporated in the Republic of Singapore)

(Company registration number: 196900250M)

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SECOND QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2014

1(a)(i) A statement of comprehensive income (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group			Group		
	Qtr ended 30 Jun		Change	YTD ended 30 Jun		Change
	2014	2013		2014	2013	
	2Q	2Q	6-MTH	6-MTH		
\$'000	\$'000	%	\$'000	\$'000	%	
Revenue	15,829	21,782	(27.3)	37,599	41,340	(9.0)
Cost of sales	(13,792)	(19,533)	(29.4)	(33,249)	(37,881)	(12.2)
Gross profit	2,037	2,249	(9.4)	4,350	3,459	25.8
Other income	211	205	2.9	626	413	51.6
Administrative expenses	(1,408)	(1,681)	(16.2)	(2,996)	(3,338)	(10.2)
Other operating (expenses) / income	(10)	2	NM	(7)	3	NM
Results from operating activities	830	775	7.1	1,973	537	267.4
Finance costs	(9)	(10)	(10.0)	(19)	(20)	(5.0)
Share of results (net of tax) of jointly controlled entity	-	-	NM	-	(1)	NM
Profit before income tax	821	765	7.3	1,954	516	278.7
Income tax expense	(10)	(153)	NM	(211)	(80)	NM
Profit after income tax	811	612	32.5	1,743	436	299.8
Other comprehensive income:						
Foreign currency translation difference from foreign operation	12	-	NM	3	-	NM
Total comprehensive income	823	612	34.5	1,746	436	300.5
Profit attributable to:						
Owners of the Company	811	613	32.3	1,743	444	292.6
Non-controlling interest	-	(1)	NM	-	(8)	NM
	811	612		1,743	436	
Total comprehensive income attributable to:						
Owners of the Company	823	613	34.3	1,746	444	293.2
Non-controlling interest	-	(1)	NM	-	(8)	NM
	823	612		1,746	436	

**MUN SIONG ENGINEERING LIMITED**

(Incorporated in the Republic of Singapore)

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1(a)(ii) The statement of comprehensive income is arrived after charging/(crediting) the following:

	Group		Group	
	Qtr ended 30 Jun		YTD ended 30 Jun	
	2014	2013	2014	2013
	Q2	Q2	6-MTH	6-MTH
	\$'000	\$'000	\$'000	\$'000
Depreciation of property, plant and equipment	822	814	1,692	1,648
Amortisation expenses	37	38	74	75
Loss/(Profit) on disposal of property, plant and equipment	-	(66)	(6)	(67)
Interest income	(16)	(14)	(34)	(52)
Interest on borrowings	9	10	19	20
Property, plant and equipment written off	7	-	8	-
Net foreign exchange loss/(gain)	5	(2)	-	(3)


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1(b)(i) A statement of financial position (for the Company and Group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group			Company		
	30 Jun'14 \$'000	31 Dec'13 \$'000	Change %	30 Jun'14 \$'000	31 Dec'13 \$'000	Change %
Non-current assets						
Property, plant and equipment	16,988	18,414	(7.7)	16,042	17,375	(7.7)
Intangible asset	1,263	1,338	(5.6)	1,263	1,338	(5.6)
Goodwill on consolidation	1,636	1,636	-	-	-	NM
Investment properties	1,620	1,620	-	1,310	1,310	-
Subsidiaries	-	-	NM	4,036	4,046	(0.2)
Jointly controlled entity	-	16	NM	-	16	NM
Deferred tax asset	228	228	-	-	-	NM
Total non-current assets	21,735	23,252	(6.5)	22,651	24,085	(6.0)
Current assets						
Inventories	7,462	6,148	21.4	3,640	2,019	80.3
Trade and other receivables	14,869	21,046	(29.3)	14,090	21,586	(34.7)
Cash and cash equivalents	20,671	17,222	20.0	12,907	8,592	50.2
Total current assets	43,002	44,416	(3.2)	30,637	32,197	(4.8)
Total assets	64,737	67,668	(4.3)	53,288	56,282	(5.3)
Equity attributable to equity holders of the Company						
Share capital	24,528	24,528	-	24,528	24,528	-
Translation reserves	(7)	(10)	(30.0)	-	-	NM
Accumulated profits	26,645	25,902	2.9	17,128	16,797	2.0
Total equity attributable to owners of the Company	51,166	50,420	1.5	41,656	41,325	0.8
Total equity	51,166	50,420	1.5	41,656	41,325	0.8
Non-current liabilities						
Loans and borrowings	1,227	1,491	(17.7)	1,227	1,491	(17.7)
Deferred tax liabilities	1,416	1,458	(2.9)	1,373	1,411	(2.7)
Total non-current liabilities	2,643	2,949	(10.4)	2,600	2,902	(10.4)
Current liabilities						
Trade and other payables	9,863	13,178	(25.2)	8,186	11,261	(27.3)
Loans and borrowings	661	794	(16.8)	661	794	(16.8)
Current tax payable	404	327	23.5	185	-	NM
Total current liabilities	10,928	14,299	(23.6)	9,032	12,055	(25.1)
Total liabilities	13,571	17,248	(21.3)	11,632	14,957	(22.2)
Total equity and liabilities	64,737	67,668	(4.3)	53,288	56,282	(5.3)

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1(b)(ii) Aggregate amount of Group's borrowings and debt securities***Amount repayable in one year or less, or on demand***

30 June 2014		31 December 2013	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
661	-	794	-

Amount repayable after one year

30 June 2014		31 December 2013	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
1,227	-	1,491	-

Details of any collateral

The borrowings were secured against certain operating assets of the Group under hire-purchase facilities.


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1(c) A cash flow statement (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	2014	2013	2014	2013
	2Q	2Q	6-MTH	6-MTH
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Profit before income tax	821	765	1,954	516
Adjustments for:				
Depreciation of property, plant and equipment	822	814	1,692	1,648
Interest expense	9	10	19	20
Amortisation of intangible assets	37	38	74	75
Property, plant and equipment written off	7	-	8	-
Interest income	(16)	(14)	(34)	(52)
Net gain on disposal of property, plant and equipment	-	(66)	(6)	(67)
Share of loss in jointly controlled entity	-	-	-	1
Operating cash flow before working capital changes	1,680	1,547	3,707	2,141
Change in inventories	340	(757)	(1,356)	3,414
Change in trade and other receivables	1,781	1,105	6,176	(2,168)
Change in trade and other payables	(77)	1,762	(3,311)	1,680
Cash generated from operating activities	3,724	3,657	5,216	5,067
Tax credit received	-	2	-	108
Income tax paid	(162)	-	(175)	(29)
Net cash generated from operating activities	3,562	3,659	5,041	5,146
Cash flows from investing activities				
Interest received	16	14	34	52
Proceeds from disposal of property, plant and equipment	-	108	6	109
Acquisition of property, plant and equipment	(38)	(645)	(231)	(650)
Acquisition of intangible asset	-	-	-	(1,494)
Proceeds from disposal of jointly controlled entity	-	-	16	-
Acquisition of additional shares in a subsidiary	-	-	-	(436)
Net cash used in investing activities	(22)	(523)	(175)	(2,419)
Cash flows from financing activities				
Payment of finance lease liabilities	(199)	(199)	(398)	(398)
Dividends paid in respect of previous year	(1,000)	(625)	(1,000)	(625)
Repayments of borrowings	-	(36)	-	(88)
Interest paid	(9)	(10)	(19)	(20)
Net cash used in financing activities	(1,208)	(870)	(1,417)	(1,131)
Net increase in cash and cash equivalents	2,332	2,266	3,449	1,596
Cash and cash equivalents at beginning of period	18,339	11,772	17,222	12,442
Cash and cash equivalents at end of period	20,671	14,038	20,671	14,038



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1(d)(i) A statement (for the Issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share capital \$'000	Accumulated profits \$'000	Translation reserves \$'000	Total \$'000	Non-controlling interest \$'000	Total equity \$'000
The Group						
At 1 January 2014	24,528	25,902	(10)	50,420	-	50,420
Total comprehensive income for the period						
Profit for the period	-	1,743	-	1,743	-	1,743
Other comprehensive income for the period:-						
Foreign currency translation difference from foreign operation	-	-	3	3	-	3
Total comprehensive income for the period	-	1,743	3	1,746	-	1,746
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Dividends	-	(1,000)	-	(1,000)	-	(1,000)
Total transactions with owners	-	(1,000)	-	(1,000)	-	(1,000)
At 30 June 2014	24,528	26,645	(7)	51,166	-	51,166
At 1 January 2013	24,528	23,437	-	47,965	500	48,465
Total comprehensive income for the period						
Profit for the period	-	444	-	444	(8)	436
Total comprehensive income for the period	-	444	-	444	(8)	436
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Dividends	-	(625)	-	(625)	-	(625)
Changes in ownership interests in subsidiary						
Additional investment in subsidiary	-	-	-	-	(426)	(426)
Total transactions with owners	-	(625)	-	(625)	(426)	(1,051)
At 30 June 2013	24,528	23,256	-	47,784	66	47,850
The Company						
At 1 January 2014				24,528	16,797	41,325
Total comprehensive income for the period						
Profit/total comprehensive income for the period				-	1,331	1,331
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Dividends				-	(1,000)	(1,000)
At 30 June 2014				24,528	17,128	41,656
At 1 January 2013				24,528	12,878	37,406
Total comprehensive income for the period						
Profit/total comprehensive income for the period				-	3,274	3,274
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Dividends				-	(625)	(625)
At 30 June 2013				24,528	15,527	40,055

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1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Not applicable. There were no changes in the Company's share capital since the end of the previous financial period.

1 (d)(iii) The total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	As at 30 Jun 2014	As at 31 Dec 2013
	'000	'000
Total number of shares	416,708	416,708
Less: Treasury shares	Nil	Nil
Total number of issued shares excluding treasury shares	416,708	416,708

1 (d)(iv) A statement showing all sales, transfers, disposals, cancellations and/or use of treasury shares at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The financial statements have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as compared to the most recent audited financial statements for the year ended 31 December 2013 save for those disclosed in Para 5 below.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted the new and revised Financial Reporting Standards (FRS) and interpretations of FRS (INT FRS) that are relevant to its operations and effective for annual periods beginning on or after 1 January 2014. The adoption of the new and revised FRS and INT FRS is assessed and it has no material impact on the results of the Group and of the Company for the financial period ended 30 June 2014.

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6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group		Group	
	2Q 2014	2Q 2013	6-MTH 2014	6-MTH 2013
EPS (based on consolidated net profit attributable to equity holders)				
- on weighted average number of ordinary shares in issue (cents)	0.19	0.15	0.42	0.10
- on fully diluted basis (cents)	0.19	0.15	0.42	0.10
Weighted average number of shares in issue during the period used in computing EPS	416,708,000	416,708,000	416,708,000	416,708,000

There were no potential dilutive ordinary shares for the current and previous periods.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-

- (a) current financial period reported on; and**
(b) immediately preceding financial year

	Group		Company	
	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
Net asset value per ordinary share based on existing issued share capital as at the respective dates (cents)	12.28	12.10	10.00	9.92
Number of shares (issued and issuable) used in computing net asset value per ordinary share	416,708,000	416,708,000	416,708,000	416,708,000

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.



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Notes to the statement of comprehensive income

(i) Revenue, cost of sales and gross profit

The Group recorded a profit before tax of \$0.8 million for the current quarter ("2Q2014") and \$2.0 million for the first half ("6-MTH 2014"), which are much higher than those recorded in the respective prior corresponding periods ("2Q2013" and "6-MTH 2013").

Revenue for 2Q2014 of \$15.8 million and for 6-MTH 2014 of \$37.6 million were lower than those for 2Q2013 and 6-MTH 2013. The decrease in revenue is in line with the Group's policy of only engaging in projects or works that meets its profit margin criteria. This is necessary given the higher cost of employing foreign workers and restrictions imposed by the Singapore government on the number of foreign workers the Group can engage.

Cost of sales decreased in tandem with the decrease in revenue, with the main decrease in sub-contracting cost.

Gross profit margin improved from 10.3% to 12.9% for the quarter and from 8.4% to 11.6% for the first half. The improvement in profit margin has resulted in the Group achieving a higher profit before taxation of \$0.8 million for the quarter and higher profit before taxation of \$2.0 million for the first half.

Being stringent in projects and work selection and cost management coupled with additional investments in capital equipment have contributed positively to improvement in profit margins.

(ii) Administrative expenses

Administrative expenses for 2Q2014 and 6-MTH 2014 decreased by approximately \$0.3 million mainly due to lower salaries-related costs on administrative headcount and lower depreciation expense.

(iii) Other expenses

Other expenses comprise losses arising from the write-off of property, plant and equipment and foreign exchange transactions.

(iv) Finance expenses

The finance cost relates to the hire purchase interest incurred on the financing of certain capital equipment acquired in 2012.

(v) Income tax expense

Income tax expense for 2Q2014 was lower after accounting for allowable deductions on expenses qualifying for Productivity Innovation Credits (PIC).

(vi) Other comprehensive income

Other comprehensive expense comprised the effect of the foreign currency translation on the financials of the Malaysian subsidiary.



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Notes to statements of financial position

Group and Company

- (i) Property, plant and equipment

The decrease was mainly due to the depreciation charged for the period.

- (ii) Intangible asset

The decrease was due to the amortisation of the exclusive licencing rights for the provision of specialised coating services and methodology in Singapore and Malaysia.

- (iii) Inventories

The increase in inventories was mainly due to higher volume of contract work in progress from projects where revenue was recognised according to percentage of completion.

- (iv) Trade and other receivables

Trade and other receivables decreased due to the realisation of receivables during the quarter.

- (v) Loans and borrowings

The decrease in loans and borrowings was mainly due to the repayment of hire purchase instalments.

- (vi) Trade and other payables

The decrease was due to the settlement of payables and lower sub-contracting charges incurred during the quarter due to the lower revenue.

Notes to cash flow statement

The Group generated a net operating cash inflow of approximately \$3.6 million in 2Q2014 and \$5.0 million for the first half. This was mainly due to profit achieved and the realisation of receivables.

The Group's cash balance as at 30 June 2014 was \$20.7 million, an increase of \$3.5 million from \$17.2 million as at 31 December 2013. This is after taking into consideration \$0.2 million to acquire additional capital equipments to further enhance capabilities and productivity and payment of \$1.0 million of dividends declared in respect of the previous financial year. The Group also repaid approximately \$0.4 million of its loan outstanding.

- 9. 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.



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10. 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 reporting period and the next 12 months.

The Group continues to face pressure on its profit margin.

Business partners continue to demand for higher level of services while new entrants and existing players compete intensely for new projects. The limits imposed by the government on the number of foreign workers that the Group can employ and the cost of employing foreign workers continue to be of major concern for the Group.

The Group notes that the economic uncertainties in China, North America and Europe continue to put pressure on prices of both end products and raw materials of our business partners, whom in turn are forced to squeeze the profit margin of service providers like our Group.

The Group has been continuously seeking business opportunities outside of its traditional market, both geographically, business and customers. Management continues to adopt cautious stances in engaging in its expansion plans without having to change the business and financial risk profile of the Group substantially.

To address these challenges, the Group will continue to be selective in engaging in projects and businesses.

As at the date of this announcement, the Group's outstanding order book stands at \$14.5 million.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No interim dividend for the three months ended 30 June 2014 is recommended.

(b) Corresponding Period of the Immediately Preceding Financial Year

Not applicable.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommendeded, a statement to that effect.

No interim dividend for the three months ended 30 June 2014 is recommended.

13. If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

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The Group has not sought any shareholders' mandate for interested person transactions pursuant to Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

14. Use of IPO Proceeds

The proceeds raised from the Company's IPO, after deducting listing expenses of approximately S\$2.5 million was approximately S\$18.9 million. As at the date of this announcement, the Company has utilised the aforesaid proceeds as follows:

Purpose	Amount raised S\$'000	Change of Use S\$'000	Utilisation			Total Utilised S\$'000	Balance S\$'000
			up to 2013 S\$'000	1st Qtr 2014 S\$'000	2nd Qtr 2014 S\$'000		
To establish a regional presence	4,000	-	(1,776)	(2)	(1)	(1,779)	2,221
To establish an engineering design centre and upgrade of existing database management system	1,000	-	(541)	-	-	(541)	459
Widening the range of services available to our customers	12,500	(7,709)	(4,791)	-	-	(4,791)	-
Working Capital	1,400	7,709	(5,332)	(651)	(872)	(6,855)	2,254
Total	18,900	-	(12,440)	(653)	(873)	(13,966)	4,934

Utilisation under Working Capital:

For the current quarter, an amount of \$31,000 was utilised to upgrade the computer system, \$653,000 was utilised to fund the acquisition of additional capital equipment and \$188,000 was utilised to purchase materials for operations and projects.

The use of proceeds is in accordance with its stated use.

15. Confirmation pursuant to Rule 705(5).

The Board of Directors of the Company hereby confirm to their best knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial statements for the quarter ended 30 June 2014 to be false or misleading in any material respect.

BY ORDER OF THE BOARD

CHENG WOEI FEN
EXECUTIVE CHAIRMAN

QUEK CHIAU LIONG
MANAGING DIRECTOR

7th AUGUST 2014