



MUN SIONG ENGINEERING LIMITED
(Company Registration No. 196900250M)
(Incorporated in the Republic of Singapore)

**THE PROPOSED ACQUISITION OF THE PROPERTY LOCATED AT 26 GUL WAY,
SINGAPORE 629199 AS A MAJOR TRANSACTION**

1. INTRODUCTION

- 1.1. The Board of Directors (the “**Board**”) of Mun Siong Engineering Limited (the “**Company**” and together with its subsidiaries and associated companies, the “**Group**”) is pleased to announce that the Company had on 12 August 2022, entered into a conditional sale and purchase agreement (the “**SPA**”) with PH Hydraulics & Engineering Pte Ltd (the “**Vendor**”) in respect of the proposed acquisition of the property which is located at 26 Gul Way, Singapore 629199 (the “**Property**”) for a consideration of SGD11,000,000 (exclusive of goods & services tax (“**GST**”) and stamp duties) (the “**Consideration**”) in accordance with the terms and conditions of the SPA (the “**Proposed Acquisition**”).
- 1.2. The Proposed Acquisition constitutes a “major transaction” under Chapter 10 of the Listing Manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) and is subject to, *inter alia*, the approval of the shareholders of the Company (“**Shareholders**”) which will be sought at an extraordinary general meeting of the Company (the “**EGM**”) to be convened. A circular to Shareholders containing, *inter alia*, further information on the Proposed Acquisition, together with the notice for the EGM, will be despatched to Shareholders in due course. Please refer to paragraph 4 (*Relative Figures under Chapter 10 of the Listing Manual*) of this announcement for further details on the relative figures in respect of the Proposed Acquisition computed on the bases set out in Rule 1006 of the Listing Manual.

2. THE PROPOSED ACQUISITION

2.1. Information on the Vendor

The Vendor is PH Hydraulics & Engineering Pte Ltd, a company incorporated in the Republic of Singapore in the business of manufacture and repair of marine engine and other special purpose machinery N.E.C (including plating equipment, industrial paint mixers and chemical mixing equipment).

2.2. Information on the Property

The Group intends to acquire the Property to house and support the Company’s business activities and operations and be used as the Company’s new office.

The Property comprises, amongst others:

- (a) the whole of lot number MK7-3333T comprising a leasehold estate for the unexpired portion of a leasehold term of 34 years and 11 months commencing from 1 February 2006 (the “**Land Lot**”);

- (b) the industrial buildings erected on the Land Lot bearing postal address of 26 Gul Way, Singapore 629199 (the “**Buildings**”); and
- (c) all the structures, structural elements erected therein and/or thereon and cranes affixed thereto.

The Property is leased from JTC Corporation (“**JTC**”) and has a current tenure of 34 years and 11 months which expires on 31 December 2040 (the “**Lease**”). The land area of the Property is 79,274.05 square feet (7,364.80 square metres) with a total gross floor area of approximately 68,771.05 square feet (6,389.04 square metres). There are two (2) Buildings on the Property: (i) a single storey industrial building; and (ii) a four (4)-storey ancillary office block.

The Property is currently being partially sub-leased to a tenant (the “**Tenant**”) for a term of three (3) years commencing on 1 August 2022 pursuant to a tenancy agreement entered into between the Vendor and the Tenant dated 7 June 2022 (the “**Tenancy Agreement**”). Under the Tenancy Agreement, the Tenant partially sub-leases one (1) of the four (4) storeys of the ancillary office block of the Property. The monthly rental payable by the Tenant under the Tenancy Agreement is SGD41,200 (exclusive of GST). One key term of the Tenancy Agreement is that either party thereto may pre-maturely terminate the Tenancy Agreement on giving not less than six (6) months’ prior written notice or by paying to the other party six (6) months’ rent in lieu of such notice. Pursuant to the SPA, the Vendor has agreed to effect or cause to be effected a novation or assignment of the Vendor’s rights and obligations under the Tenancy Agreement to the Company.

2.3. **Rationale for the Proposed Acquisition**

The Company’s existing registered office located at 35 Tuas Road, Jurong Town, Singapore 638496 (the “**Existing Property**”) is rented from JTC and the lease of the Existing Property had expired on August 2020. The Company had on 2 March 2020 signed a short-term lease with JTC and the Company will have to surrender the short-term lease of the Existing Property to JTC by August 2023. No further extension will be given by JTC at the end of the said short-term lease. Accordingly, the Company needs a new property to house and support the Company’s business activities and operations and also to be the Company’s new office.

As stated in paragraph 2.2 (*Information on the Property*) of this announcement, the land area of the Property is 79,274.05 square feet (7,364.80 square metres) which is substantially smaller than the land area of the Existing Property of 222,411 square feet (20,662 square metres). The Company intends to shift certain of the Group’s existing activities (including fabrication works) to the Group’s Malaysia property at which the fabrication facility is currently being constructed. The Group purchased a 60-year leasehold industrial land and a building, with a total land area of 141,077.19 square feet (13,106.5 square meters) in the Mukim of Tanjung Surat, District of Kota Tinggi, State of Johor (the “**Malaysia Property**”) in March 2021. Please refer to the announcements of the Company dated 5 March 2021 and 12 September 2021 for further information on the Malaysia Property. The Malaysia Property, which construction is expected to be completed by December 2023, will serve both the Group’s Singapore and Malaysia operations.

The Property is in relatively good condition. The Company intends to invest and incur up to SGD2,000,000 for renovation and modification works to cater to the Company’s operation requirements (the “**Renovation and Modification Works**”) and statutory costs (including stamp duty payable on the Proposed Acquisition). The Company estimates that the Renovation and Modification Works will not take a long time to complete and the Company will be able to commence operation activities in a relatively short period of time.

2.4. **Valuation and source of funds**

The Company has appointed GB Global Pte Ltd as the independent property valuer to conduct a valuation of the Property (the “**Valuer**”). Based on the valuation report dated 14 July 2022 issued by the Valuer (the “**Valuation Report**”), the market value of the Property is SGD11,000,000 as at 14 July 2022 which is equivalent to the Consideration. As per the

Valuation Report, the direct comparison method and income capitalisation method were used by the Valuer to value the Property based on an equal weighting of 50% for each method.

In the direct comparison method, direct comparison is made with recent sale transactions of similar properties within the locality, with adjustments made for the differences in location, type, age, size, condition, dates of transaction and other factors affecting its market value to derive the Property's market value. In the income capitalisation method, the estimated annual market rent of the Property after deducting property tax payable and other outgoings, is capitalised over the remaining term of the lease at an appropriate rate to arrive at the capital value of the Property. The adopted capitalisation rate of 5.5% reflects the nature, location, tenure and tenancy profile of the Property together with the prevailing market conditions. The average of the values derived from the said two (2) methods at 50% weightage for each method is SGD11,000,000.

The Consideration for the Property is SGD11,000,000 (exclusive of GST and stamp duties). The Company has estimated that it will invest up to SGD2,000,000 for the Renovation and Modification Works and statutory costs. The total investment commitment of the Proposed Acquisition (the "**Total Investment**") is thus SGD13,000,000 (being SGD11,000,000 plus SGD2,000,000) which will be funded entirely through the Group's internal financial resources.

3. PRINCIPAL TERMS OF THE SPA

3.1. Conditions of the Property

The Property is sold in the state and condition and in all respects whatsoever on an "as is where is" basis subject to certain provisions.

3.2. Consideration

The Consideration of SGD11,000,000 (exclusive of GST and stamp duties) was arrived at after arm's length negotiations between the Company and the Vendor on a willing-buyer, willing-seller basis, taking into account, amongst other factors, the prevailing market conditions and the market value of the Property based on the Valuation Report.

The Company will, on signing of the SPA, pay an amount of SGD1,100,000 as a deposit (the "**Deposit**") to the Vendor's counsels as stakeholders pending completion of the Proposed Acquisition ("**Completion**"). The balance of the Consideration of SGD9,900,000 (being SGD11,000,000 less SGD1,100,000) shall be paid to the Vendor at Completion.

3.3. Subject to tenancy

The Property is sold subject to tenancy and the Vendor shall effect or cause to be effected a novation or assignment of the Vendor's rights and obligations under the Tenancy Agreement.

3.4. Conditions precedent

Completion shall be subject to and conditional upon the following conditions, amongst others:

- (a) the Company's solicitors receiving satisfactory replies to all their requisitions to the various government departments and the Land Transport Authority and in the event of any of the replies to such requisitions being unsatisfactory, the Company may annul the SPA subject to certain provisions; and
- (b) the following approvals being obtained, namely:
 - (i) the written approval of JTC for the Proposed Acquisition for the Company's proposed use of the Property for the installation of industrial machinery and equipment and carrying out of mechanical, electrical and instrumentation engineering works; and

- (ii) the Shareholders' approval at the EGM to be convened by the Company for the Proposed Acquisition.

The Company has agreed to procure and ensure that its major Shareholders will vote in favour of the resolution for the Proposed Acquisition.

3.5. **Completion date**

The date of Completion shall be four (4) weeks from the date of the later of the two (2) approvals from JTC and the Shareholders as referred to in paragraph 3.4(b) (*Conditions precedent*) of this announcement.

In the event that no clearance / approval is given by SGX-ST and/or the Shareholders for the Proposed Acquisition within four (4) months from the date of the SPA or such other period as may be agreed between the Company and the Vendor, the Vendor shall forthwith refund to the Company the Deposit and any other amounts paid by the Company to the Vendor (free of interest) and thereafter the SPA shall become null and void.

In the event that no approval is granted by JTC within four (4) months from the date of the SPA, and provided that the failure to obtain such approval is not due to any act, default or omission on the part of the Vendor or the Company as the case may be, the Vendor and the Company shall mutually agree in writing to extend the deadline to obtain JTC's approval for the Proposed Acquisition. Further, in the event that approval from JTC is refused, and refusal by JTC is not due to any act, default or omission on the part of the Vendor or the Company as the case may be, the Vendor shall forthwith refund to the Company the Deposit and any other amounts paid by the Company to the Vendor (free of interest) and thereafter the SPA shall become null and void.

Subject to the terms in the SPA, in the event the Proposed Acquisition is abortive for any reason whatsoever, the Company shall forthwith:

- (a) return to the Vendor's solicitors all title deeds and documents in respect of the Property without any claim or lien whatsoever; and
- (b) at the Company's own cost and expense, withdraw/cancel and/or cause to be withdrawn/cancelled all caveats and/or entries in respect of or in relation to the Proposed Acquisition lodged by the Company or any person claiming under the Company,

and in exchange, the Vendor shall forthwith refund to the Company the Deposit and any other amounts paid by the Company to the Vendor but without any interest compensation or deduction whatsoever.

4. **RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL**

4.1. **Chapter 10 of the Listing Manual**

Under Rule 1006 of the Listing Manual, a transaction (as defined in the Listing Manual) may be categorised as (a) non-disclosable transactions, (b) disclosable transactions, (c) major transactions or (d) very substantial acquisitions or reverse takeovers, depending on the size of the relative figures computed on the bases set out thereunder.

Rule 1014(1) of the Listing Manual states that where any of the relative figures as computed on the bases set out in Rule 1006 exceeds 20%, the transaction is classified as a major transaction.

4.2. Relative figures

Based on the latest announced unaudited consolidated financial statements of the Group for the six (6) months ended 30 June 2022, the relative figures for the Proposed Acquisition as computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

Rule	Bases of Calculation	Relative Figures
1006(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable as this is not a disposal of assets
1006(b)	Net profits attributable to the assets acquired or disposed of, compared with the Group's net profits/losses	Not applicable ⁽¹⁾
1006(c)	Aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares of the Company (" Shares "), excluding treasury shares	43.8% ⁽²⁾⁽³⁾
1006(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable as no equity will be issued by the Company as consideration
1006(e)	Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves	Not applicable as the Company is not a mineral, oil and gas company

Notes:

- (1) The Tenancy Agreement can be terminated by either party giving a pre-mature termination notice of not less than six (6) months. As such, the monthly rental payable by the Tenant is excluded from the computation of the relative figure under Rule 1006(b) of the Listing Manual.
- (2) Although the Consideration for the Proposed Acquisition is SGD11,000,000 (exclusive of GST and stamp duties), the Total Investment of the Proposed Acquisition of SGD13,000,000 is being used for the purpose of Rule 1006 of the Listing Manual.
- (3) The Total Investment as compared to the Company's market capitalisation of approximately SGD29,652,032 which is computed based on 581,412,400 Shares in issue (excluding treasury shares) and the closing price of SGD0.051 per Share transacted on 11 August 2022, being the last market day preceding the date of signing the SPA.

As the relative figure under Rule 1006(c) of the Listing Manual exceeds 20%, the Proposed Acquisition constitutes a major transaction as defined in Chapter 10 of the Listing Manual. Accordingly, under Rule 1014(2) of the Listing Manual, the Proposed Acquisition is subject to and conditional upon the approval of the Shareholders and the directors of the Company propose to convene the EGM to seek the same.

5. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

5.1. Bases and assumptions

The *pro forma* financial effects of the Proposed Acquisition as set out below are for illustrative purposes only and are neither indicative of the actual financial effects of the Proposed

Acquisition nor representative of the future financial performance and position of the Company or the Group upon Completion of the Proposed Acquisition.

The *pro forma* financial effects of the Proposed Acquisition have been prepared based on the latest audited consolidated financial statements of the Group for the financial year ended 31 December 2021, on the following bases and assumptions:

- (a) the Tenancy Agreement can be terminated by either party giving a pre-mature termination notice of not less than six (6) months. As such, the monthly rental payable by the Tenant is excluded from the computation of the financial effects of the Proposed Acquisition;
- (b) although the Consideration for the Proposed Acquisition is SGD11,000,000 (exclusive of GST and stamp duties), the Total Investment of the Proposed Acquisition of SGD13,000,000 is being used for the purpose of illustrating the financial effects of the Proposed Acquisition;
- (c) the Proposed Acquisition had been completed on 31 December 2021 for the purpose of illustrating the financial effects of the Proposed Acquisition on the net tangible assets (“NTA”) per share of the Group;
- (d) the Proposed Acquisition had been completed on 1 January 2021 for the purpose of illustrating the financial effects of the Proposed Acquisition on the earnings per share (“EPS”) of the Group; and
- (e) the issued and paid-up share capital of the Company comprising 581,412,400 Shares (excluding treasury shares) as at 11 August 2022, being the last market day preceding the date of signing the SPA.

5.2. NTA per share

On the bases and assumptions set out above, the *pro forma* financial effects of the Proposed Acquisition on the NTA per share of the Group is as follows:

FY2021	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (SGD'000)	55,078	55,078 ⁽¹⁾
Number of shares	581,412,400	581,412,400
NTA per share (cents)	9.47	9.47

Note:

- (1) As the Company intends to utilise internal funds and does not intend to raise equity funds to finance the Proposed Acquisition, the NTA of the Group remains unchanged before and after the Proposed Acquisition.

5.3. EPS

The Tenancy Agreement can be terminated by either party giving a pre-mature termination notice of not less than six (6) months. As such, the monthly rental payable by the Tenant is excluded from the computation of EPS. The EPS of the Group remains unchanged before and after the Proposed Acquisition at 0.12 Singapore cents.

6. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed herein, none of the directors or substantial shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition, save for their respective shareholdings in the Company.

7. SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

8. CIRCULAR TO SHAREHOLDERS

The Company will convene the EGM to seek the approval of the Shareholders for the Proposed Acquisition and a circular to Shareholders setting out further information on the Proposed Acquisition, together with the notice of the EGM to be convened, will be despatched to Shareholders in due course.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Subject to prevailing regulations, orders, advisories and guidelines relating to safe distancing which may be issued by the relevant authorities, a copy of the Constitution, the SPA and the Valuation Report are available for inspection at the registered office of the Company at 35 Tuas Road, Jurong Town, Singapore 638496 during normal business hours for three (3) months from the date of this announcement.

By Order of the Board

**Cheng Woei Fen
Executive Chairlady**

12 August 2022