



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

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**THE PROPOSED INVESTMENT IN ILLINOIS, USA THROUGH A NEWLY INCORPORATED WHOLLY OWNED SUBSIDIARY, PEGASUS INDUSTRIAL MIDWEST LIMITED LIABILITY COMPANY, AS A MAJOR TRANSACTION**

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**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 on 6 May 2022, the Company has incorporated an indirect wholly owned subsidiary, Pegasus Industrial Midwest Limited Liability Company ("**PIM LLC**"), a limited liability company in the state of Illinois, the United States of America (the "**USA**" or "**US**"). Please refer to paragraph 2 (*Information on PIM LLC*) of this announcement for further information on PIM LLC.

1.2. The Group intends to invest up to USD7,500,000 in PIM LLC by:

- (a) subscribing for six (6) million units in PIM LLC for USD6,000,000; and
- (b) extending up to USD1,500,000 of shareholder loans,

(the "**Proposed Investment**"). Please refer to paragraph 3 (*The Proposed Investment in PIM LLC*) of this announcement for further information on the Proposed Investment.

1.3. The proceeds of the Proposed Investment will be utilised by PIM LLC in the following manner:

		USD'000	%
01	Acquisition of a property consisting of land, building and equipment located in Kankakee County, in the state of Illinois, the USA (the " <b>Property</b> ") to house and support the proposed operations of PIM LLC (the " <b>Proposed Acquisition</b> "). Please refer to paragraph ( <i>The Proposed Acquisition of the Property</i> ) of this announcement for further information on the Proposed Acquisition.	3,000	40.0
02	Equipment to be purchased by PIM LLC	2,500	33.3
03	Renovation and modifications to the Property to suit the Group's operation needs	400	5.4
04	Others – statutory costs such as stamp duties and professional fees incurred in relation to the Property	100	1.3
05	Working capital of PIM LLC	1,500	20
	<b>Total Proposed Investment</b>	<b>7,500</b>	<b>100</b>

- 1.4. The Proposed Investment 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 (the "**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 Investment and the Proposed Acquisition, together with the notice for the EGM, will be despatched to Shareholders in due course. Please refer to paragraph 5 (*Relative Figures under Chapter 10 of the Listing Manual*) of this announcement for further details on the relative figures in respect of the Proposed Investment computed on the bases set out in Rule 1006 of the Listing Manual.

## **2. INFORMATION ON PIM LLC**

### **2.1. Incorporation**

PIM LLC was incorporated on 6 May 2022 in the state of Illinois, the USA, as a limited liability company. The Company owns 100% of PIM LLC through a series of intermediate holding companies solely for the purpose of tax efficiency. Please refer to Appendix A of this announcement for further information on the structure of ownership of PIM LLC.

It is intended that PIM LLC will have a paid-up capital of USD6,000,000 comprising six (6) million units. The Directors of PIM LLC will be Quek Kian Hui (Deputy Chairman of the Company) and Eugene Lim Poon Kheng (Finance Director of the Company).

### **2.2. The business to be undertaken by PIM LLC**

PIM LLC's core business will be an extension of one the Group's core competencies – providing specialised services such as repairs, coating and cleaning of heat exchangers and piping. These specialised services are currently being provided by the Group to its customers in Singapore, Indonesia and Malaysia through the Singapore operations.

In the initial years, PIM LLC will focus on providing industrial cleaning and repairs of heat exchangers (including hydro blasting and ultrasonic cleaning). Thereafter, PIM LLC intends to enlarge its service offerings to include retubing, decoking and fabrication.

PIM LLC's target customers will be operators in the process and power industries located in the Midwest region of the USA, including states like Illinois, Indiana, Wisconsin, Ohio, Michigan, Iowa, Missouri, Minnesota, Nebraska, North Dakota, and South Dakota.

## **3. THE PROPOSED INVESTMENT IN PIM LLC**

### **3.1. The Proposed Investment**

The Proposed Investment of up to USD7,500,000 (approximately SGD10,390,000, based on the exchange rate of USD1 to SGD1.38525) in PIM LLC will be carried out in the following manner:

- (a) the Group will subscribe for six (6) million units in PIM LLC for USD6,000,000 (approximately SGD8,312,000, based on the exchange rate of USD1 to SGD1.38525) within 30 days of the Company obtaining approval of its Shareholders for the Proposed Investment; and
- (b) the Group will extend up to USD1,500,000 (approximately SGD2,078,000, based on the exchange rate of USD1 to SGD1.38525) of interest-bearing shareholder loans. The said loans are intended to be unsecured, with a maximum tenure of three (3) years and will bear interest of up to 2.0% per annum above the Secured Overnight Financing Rate.

The Proposed Investment will be funded by a combination of the Group's internal financial resources and bank borrowings.

### 3.2. Rationale for the Proposed Investment

Since 2012, the Company has been reporting in its Corporate Governance Report forming part of its annual reports that market and customer concentration are significant risks. The Group's revenue and profitability is dependent on the Singapore market in which it provides maintenance and project works. It recognises that the process industry is dominated by a small number of major operators. Their plants and facilities provide both maintenance and project work and the working relationship spans more than 40 years. Mitigating this risk, the management of the Group stated, in the Corporate Governance Report, that it would "*seek business opportunities so as to broaden its customer base and to reduce its dependence on the Singapore economy and process industry. However, to avoid a substantial increase in the Group's business risk profile, it will continue to seek business opportunities within the area of its key competencies*".

In the recent years, the Group has intensified its efforts to seek business opportunities in Taiwan and Malaysia. These efforts have been rewarded, in the recently concluded financial year 2021, as contributions from these countries account for 28.4% of the Group's revenue. They have also contributed positively to the Group's profitability. In these countries, the Group's customers are CPC Corporation (Taiwan) and Petronas (Malaysia). In Taiwan, the Group utilised its project management capabilities to execute project works such as turnaround projects with the support of the local workforce. In the last three (3) financial years, it has executed a total of three (3) turnaround projects valued at SGD 26.2 million. In Malaysia, work orders received have been slow despite being awarded the master contract by Petronas in 2019 due to the COVID-19 pandemic. However, since mid-2021, work orders have been on a gradual increase.

Besides geographical diversification, the Group has increased its range of offerings, including scaffolding, distributorship, and in particular, specialised services such as repairs, coating and cleaning of heat exchangers and piping. These specialised services have made material positive contributions to the Group's profitability in the last ten (10) years. Although Singapore is its key market, the Group has in recent years secured work orders from Malaysia and Indonesia as well, which were then executed in Singapore.

The Group now wishes to expand its specialised services into the North America market as part of its continuous effort to mitigate market and customer concentration risk. From the Group's observation, the process industry in North America comprises both a number of large operators and a large number of mid-size operators. This is unlike markets the Group currently operates in, such as Singapore, Taiwan and Malaysia, where a single or small number of major operators dominate the market. The monopolistic / oligopolistic nature of these markets gives operators an upper hand to dictate prices for services.

PIM LLC was thus incorporated by the Group with an aim to provide one-stop solutions for its customers in the Midwest region of the USA, including states like Illinois, Indiana, Wisconsin, Ohio, Michigan, Iowa, Missouri, Minnesota, Nebraska, North Dakota, and South Dakota. This is similar to the one-stop services in which the Group's Singapore specialised services division is currently providing to the Group's existing Southeast Asia customers.

## 4. THE PROPOSED ACQUISITION OF THE PROPERTY

### 4.1. Information on the Property

The Group intends to acquire the Property to house and support the proposed operations of PIM LLC.

The Property comprises, amongst others:

- (a) four (4) tracts of land which are fee simple (freehold) with a total land area of 199,330 square feet, including associated easement rights;
- (b) one (1) building, including a new wing built in 2019, which has a total gross floor area of 59,989 square feet;
- (c) the structures, fixtures, equipment and other improvements on the Property (the "**Improvements**"); and
- (d) all items of equipment, inventory and personal property, if any, located in or on the Improvements, and used in connection with the operation of the Property and/or the Improvements.

The Property will be conveyed debt-free and unencumbered. The Group has appointed CBRE, Inc. in Illinois, the USA, as the independent property valuer to conduct a valuation of the Property (the "**Valuer**"). Based on the appraisal report dated 21 April 2022 issued by the Valuer to the Group (the "**Valuation Report**"), the market value conclusion is as follows:

#### **MARKET VALUE CONCLUSION**

<b>Appraisal Premise</b>	<b>Interest Appraised</b>	<b>Date of Value</b>	<b>Value Conclusion</b>
As Is	Fee Simple (Freehold) Estate	April 11, 2022	USD3,000,000

The market value of the Property, as per Valuation Report, is thus USD3,000,000 which is equivalent to the purchase consideration of the Property.

#### **4.2. Information on the Seller**

The seller of the Property (the "**Seller**") is Municipal Trust and Savings Trust #2764 and the Estate of Gregory Lambert (the "**Estate**"), on behalf of Mark Lambert and Michael Lambert, the proposed co-administrators of the Estate.

The Property was previously used by Lambert Construction, Inc. ("**LCI**"), which was owned by Gregory Lambert. LCI was in the structural steel fabrication industry and not in competition with the Company's proposed business. The Property is currently held in trust by the Estate and Municipal Trust and Savings Trust #2764.

The Estate has decided to sell the Property after Gregory Lambert passed away in the fourth quarter of 2021. The business of LCI will not be sold as part of the Proposed Acquisition.

#### **4.3. Manner of acquiring the Property**

In order to give effect to the Proposed Acquisition, an option to purchase the Property was signed between the Seller and KQ Industrial Services LLC (the "**Assignor**") on 4 April 2022, supplemented by an addendum of the same date (the "**Option**"). PIM LLC subsequently, on 13 May 2022, entered into an assignment agreement (the "**Assignment Agreement**") with the Assignor pursuant to which the Assignor has agreed to assign all of its rights, obligations and liabilities under the Option to PIM LLC, subject to, amongst others, the approval of the Shareholders for the Proposed Investment. The Assignment Agreement allows PIM LLC to directly acquire the Property from the Seller.

#### **4.4. Information on the Assignor, the Option and the Assignment Agreement**

The Assignor is a US limited liability company which is controlled by one of the Company's Directors and substantial shareholders, Quek Kian Hui. Quek Kian Hui is also the son of Cheng Woei Fen, the Executive Chairlady and a controlling shareholder of the Company.

The Assignor entered into the Option in order to facilitate PIM LLC's acquisition of the Property in an expedient manner. This is because the Seller was not agreeable to entering into a

conditional option, and PIM LLC was not able to enter into an unconditional option since it would need to obtain the prior approval of the Shareholders. The Assignor agreed to enter into the Option on behalf of PIM LLC. As such, the Assignor had entered into the Option upon payment of a sum of USD45,000 (approximately SGD63,000, based on an exchange rate of USD1 to SGD1.38525) (the "**Option Fee**" or "**Earnest Deposit**") representing 1.5% of the total purchase consideration of the Property of USD3,000,000 (approximately SGD4,156,000 based on the exchange rate of USD1 to SGD1.38525) (the "**Consideration**").

The Assignor has confirmed to the Company that: (a) the Assignor is not related and does not have any connections whatsoever with the Seller, LCI or any of their respective associates; and (b) there is no agreement (verbal or written) between the Assignor and the Seller to share any proceeds of the Proposed Acquisition or which entitles the Assignor to any benefit (including monetary benefit) in connection with Proposed Acquisition.

Pursuant to the terms of the Assignment Agreement the Assignor will assign all of its rights, obligations and liabilities under the Option to PIM LLC subject to approval of the Shareholders being obtained in respect of the Proposed Acquisition. PIM LLC will pay a nominal consideration of USD10 to enter into the Assignment Agreement. In the event that the Shareholders' approval is obtained, the Option will be assigned to PIM LLC and PIM LLC will at the closing of the Proposed Acquisition ("**Closing**") reimburse the Option Fee to the Assignor and pay the balance of the Consideration of USD2,955,000 (approximately SGD4,094,000 based on the exchange rate of USD1 to SGD1.38525) to the Seller. It is expressly provided in the Assignment Agreement that any and all risk flowing from the Option will be borne solely by the Assignor before the approval of the Shareholders being obtained in respect of the Proposed Acquisition. This includes the risk of loss of the Option Fee paid by the Assignor to the Seller for any reason whatsoever, including in the event of termination of the Proposed Acquisition if Shareholders' approval is not obtained.

The entry by PIM LLC into the Assignment Agreement constitutes an "interested person transaction" as defined under Chapter 9 of the Listing Manual. Please refer to paragraph 6 (*Interested Person Details*) of this announcement for further details on the interested person transaction.

#### 4.5. **Principal terms of the Option**

##### **Consideration**

The Consideration of USD3,000,000 was arrived at after arm's length negotiations between the Assignor and the Seller on a willing-buyer, willing-seller basis, taking into account, amongst other factors, the prevailing market conditions and the market value of the Property. The Company has also independently appointed the Valuer to value the Property. Please refer to paragraph 4.1 (*Information on the Property*) for further information on the valuation conducted by the Valuer.

The Assignor has paid the Option Fee as earnest money to be applied on the Consideration. As stated above, the Option Fee will be reimbursed by PIM LLC to the Assignor at Closing. The balance Consideration of USD2,955,000 will be paid by PIM LLC to the Seller in cash at the time of Closing.

##### **Closing Date**

Pursuant to the terms of the Option, the date of Closing of the Proposed Acquisition is intended to be 2 August 2022, being 90 days following expiration of the feasibility period under the Option (the "**Closing Date**"). The Assignor will have the one-time right to extend the Closing Date for up to 30 days by providing reasonable evidence to the Seller.

##### **Damages pursuant to default by the Assignor limited to the Option Fee**

In the event that the Assignor defaults on any of its obligations under the Option and does not cure such default within ten (10) days after receiving notice from the Seller, the Seller will be

entitled, as its sole and exclusive remedy, to terminate the Option and receive the deposited Option Fee as liquidated damages for such default under the Option.

#### 4.6. Rationale for the Proposed Acquisition

The Property is located in Kankakee County, which is approximately 45 miles (equivalent to 72 kilometres) south of Chicago. This is logistically close to the Group's potential customers. There are a number of large to medium sized refineries and processing plants within the 300 miles (equivalent to 483 kilometres) radius of the Property. These include plants owned by companies such as Dow Chemical, ExxonMobil, Stepan Company, LyondellBasell, BP, Citgo, Evonik, Valero, Pfizer, Marathon, BASF, and Phillips 66. Its proximity will allow the PIM LLC to solicit business and be competitive.

The Property is in a relatively good condition. To suit our operation requirement needs, we will carry out some renovation and modification works. The heating and insulation in the Property is fully working and suitable for operations even in winter.

Further, the Property is located in an area with historically low risk of natural disasters (such as earthquakes, tornadoes, flooding, hurricanes or snowstorms). As such, the Board is of the view that the Proposed Acquisition will allow PIM LLC to be located proximately close to the above-mentioned plant and facilities which are potential sources of business opportunities.

### 5. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL

#### 5.1. 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.

#### 5.2. Relative figures

Based on the latest announced audited consolidated financial statements of the Group for the financial year ended 31 December 2021 ("FY2021"), the relative figures for the Proposed Investment 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	Not applicable as no profits will be derived from the Property.
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 (" <b>Shares</b> "), excluding treasury shares	39.8% <sup>(1)(2)</sup>
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.
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**Notes:**

- (1) Although the consideration for the Proposed Acquisition is USD3,000,000, the entire value of the Proposed Investment of USD 7,500,000 is being used for the purpose of Rule 1006.
- (2) The sum of the consideration (in this case the Proposed Investment) of USD7,500,000 (equivalent to SGD10,390,000 based on an exchange rate of USD1 to SGD1.38525) as compared to the Company's market capitalisation of approximately SGD26,127,558 which is computed based on 580,612,400 Shares in issue (excluding treasury shares) and the closing price of SGD0.045 per Share transacted on 12 May 2022, being the last market day preceding the date of signing the Assignment Agreement.

As the relative figure under Rule 1006(c) of the Listing Manual exceeds 20%, the Proposed Investment constitutes a major transaction as defined in Chapter 10 of the Listing Manual. Accordingly, under Rule 1014(2) of the Listing Manual, the Proposed Investment 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.

## 6. INTERESTED PERSON DETAILS

PIM LLC is a subsidiary of the Company and an "entity at risk" while the Assignor is an associate of a Director of the Company and an "interested person". As such, the entry into the Assignment Agreement constitutes an "interested person transaction" as defined under Chapter 9 of the Listing Manual. Pursuant to Rule 906 of the Listing Manual, an issuer must obtain shareholders' approval for any interested person transaction of a value equal to, or more than 5% of the Group's latest audited net tangible assets ("NTA").

Rule 902 of the Listing Manual provides that in applying the rules for an interested person transaction under the Listing Manual, regard must be given to the economic and commercial substance of the interested person transaction, instead of legal form and technicality. As set out in paragraph 4.4 (*Information on the Assignor, the Option and the Assignment Agreement*) of this announcement, the arrangement with the Assignor was solely in order to expedite PIM LLC's acquisition of the Property. As such, the entry into the Assignment Agreement is merely a transaction to facilitate the Proposed Acquisition between PIM LLC and the Seller (who is not an "interested person") and is thus in substance not an interested person transaction between PIM LLC and the Assignor.

In any event, the amount at risk of the transaction with the Assignor is nominal as the consideration of the Assignment Agreement is USD10. As stated in Paragraph 4.4 (*Information on the Assignor, the Option and the Assignment Agreement*), the Company will only reimburse the Option Fee to the Assignor and pay the balance Consideration directly to the Seller once the Proposed Acquisition is approved by the Shareholders.

Since the amount at risk is nominal, is under SGD100,000 (as per the threshold under Rule 906(2) of the Listing Manual) and does not exceed 5% of the Group's latest audited NTA, the entry into the Assignment Agreement will not require Shareholders' approval pursuant to Rule 906 of the Listing Manual.

## 7. FINANCIAL EFFECTS OF THE PROPOSED INVESTMENT

### 7.1. Bases and assumptions

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

Investment nor representative of the future financial performance and position of the Company or the Group upon the completion of the Proposed Investment.

The *pro forma* financial effects of the Proposed Investment have been prepared based on the latest announced audited consolidated financial statements of the Group for FY2021, on the following bases and assumptions:

- (a) the Proposed Investment had been completed on 31 December 2021 for the purpose of illustrating the financial effects of the Proposed Investment on the NTA per share and gearing ratio of the Group;
- (b) the Proposed Investment had been completed on 1 January 2021 for the purpose of illustrating the financial effects of the Proposed Investment on the earnings per share ("EPS") of the Group; and
- (c) the issued and paid-up share capital of the Company comprising 580,612,400 Shares (excluding treasury shares).

## 7.2. NTA per share

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

<b>FY2021</b>	<b>Before the Proposed Investment</b>	<b>After the Proposed Investment</b>
NTA (SGD'000)	55,078	55,078
Number of shares	580,612,400	580,612,400
NTA per share (cents)	9.49	9.49

## 7.3. EPS

PIM LLC has not commenced operations on 1 January 2021. As such, the EPS of the Group as at 31 December 2021 remains unchanged at 0.12 Singapore cents.

## 7.4. Gearing

<b>FY2021</b>	<b>Before the Proposed Investment</b>	<b>After the Proposed Investment</b>
Borrowings (SGD'000)	5,532	6,571
Shareholders' equity (SGD'000)	55,078	55,078
Gearing ratio <sup>(1)</sup>	10.0%	11.9%

### Notes:

- (1) Gearing ratio equals borrowings divided by shareholders' equity.



**8. 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 Investment, save for their respective shareholdings in the Company.

**9. SERVICE CONTRACTS**

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

**10. CIRCULAR TO SHAREHOLDERS**

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

**11. 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 Option, the Assignment Agreement 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**

**15 May 2022**

## APPENDIX A – STRUCTURE OF OWNERSHIP OF PIM LLC

The sole shareholder of PIM LLC is Pegasus Advance Engineering (US) Inc ("**PAE US**"). PAE US is an investment holding company incorporated in April 2019 in the state of Delaware, the USA, with a paid-up share capital of USD1.

PAE US is a wholly owned subsidiary of Pegasus Advance Engineering (Netherlands) BV ("**PAE Netherlands**"). PAE Netherlands is an investment holding company incorporated in September 2019 in the Netherlands with a paid-up share capital of USD1. Both PAE Netherlands and PAE US are currently inactive holding companies of the Group.

PAE Netherlands is a wholly owned subsidiary of Pegasus Advance Engineering Pte Ltd ("**PAE S**"). PAE S is incorporated in Singapore in May 2013 with an issued and paid-up share capital of SGD2,000,000 and is wholly owned by the Company.

The structure of the Company's indirect 100% ownership of PIM LLC is set out in the diagram below.

