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

---

**ENTRY INTO SALE AND PURCHASE AGREEMENT RELATING TO PROPOSED ACQUISITION OF PROPERTY IN MALAYSIA**

---

## 1. INTRODUCTION

The board of directors ("**Directors**" or "**Board**") of Mun Siong Engineering Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that its joint venture company in Malaysia, Pegasus Advance Engineering Sdn Bhd (the "**Purchaser**"), has on 5 March 2021 entered into a conditional sale and purchase agreement ("**SPA**") with Teras Eco Sdn Bhd (the "**Vendor**") to acquire a plot of 60 years leasehold industrial land and a building in the Mukim of Tanjung Surat, District of Kota Tinggi, State of Johor (the "**Property**") (the "**Acquisition**").

## 2. INFORMATION ON THE ACQUISITION

### 2.1 Details of the Property

The Property has an area measuring approximately 13,106.5 square metres. It has a leasehold interest of 60 years expiring on 29 June 2080. The Vendor had previously entered into three sale and purchase agreements and two supplemental sale and purchase agreements to acquire the Property from NCF Construction Sdn Bhd (the "**Registered Proprietor**"). The Registered Proprietor had amalgamated three (3) pieces of land into a single plot of land being the Property. The land title reflecting combined land area of 13,106.5 square metres of the Property was issued on 30 June 2020, expiring on 29 June 2080.

Based on searches conducted by the Purchaser's Malaysian solicitors, Messrs. Mohamed Ridza & Co, the Vendor's name has yet to be registered on the land title as the transfer to the Property between the Registered Proprietor and the Vendor has yet to be perfected at the Land Registry/Office. Hence, the Registered Proprietor is the registered owner of the Property whereas the Vendor is the beneficial owner of the Property.

Based on disclosures made in the SPA, the Vendor and the Registered Proprietor are not related to each other.

The Property is currently tenanted to an independent third party and such tenancy will terminate on 31 May 2021 (the "**Tenancy**"). The tenancy agreement will not be renewed as the Purchaser intends to use the Property for its own purpose.

### 2.2 Guidance from Messrs. Mohamed Ridza & Co

Messrs. Mohamed Ridza & Co, the Malaysian solicitors representing the Purchaser in the Acquisition, has vide their legal memorandum dated 7 January 2021 opined that the transfer of the land title of the Property from the Registered Proprietor to the Purchaser will not affect the latter's ability to register its legal ownership with the Land Registry/Office.

The Purchaser's name will be registered on the land title and the legal title to the Property will be directly transferred from the Registered Proprietor to the Purchaser on completion of the Acquisition. Please refer to section 4.5 of this announcement for further details.

2.3 **Valuation conducted by the Purchaser**

The Company has commissioned C H Williams Talhar & Wong Sdn Bhd ("**CBRE WTW**"), a joint venture between CBRE Group Inc and WTW, to conduct an independent valuation on the Property in connection with the Acquisition. Based on the valuation report issued by CBRE WTW (the "**Valuation Report**"):

(a) the valuer has at least 5 years of continuous experience in valuation and does not have a pecuniary interest that could conflict with the proper valuation of the Property;

(b) the valuation has been prepared in accordance with the requirements as set out in the Malaysian Valuation Standards ("**MVS**") issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers, Malaysia and other established valuation manuals and standards such as the International Valuation Standards ("**IVS**") published by the International Valuation Standards Council and the RICS Valuation - Global Standards published by Royal Institution of Chartered Surveyors; and

(c) the basis of the valuation is market value as defined by the MVS and IVS and the valuation approach is the comparison approach.

Based on the Valuation Report, the market value of the Property is RM 6.5 million. Please refer to section 4.2 of this announcement for details of the consideration for the Acquisition of RM 6.4 million.

## 3. RATIONALE FOR THE ACQUISITION

The Purchaser is currently leasing a small yard to support its current operations in the process industry (oil and gas and petrochemical). The Group envisages that the Group's Malaysia operations will grow as it expands its array of services and broadens its customer base beyond the process industry. The Group has therefore decided to purchase the Property to better support the Group's growing Malaysia operations. In addition to the existing building on the Property, the Purchaser intends to erect a fabrication building on the Property to house its fabrication capabilities as well as to offer specialised services (e.g. retubing and hydrojetting services).

## 4. PRINCIPAL TERMS OF THE SPA

4.1 **Basis of Sale**

The Property is sold free from all encumbrances, liabilities, leases (other than the Tenancy), easement, caveats, lien, prohibitory orders, charges, claims restraints and/or rights and/or interest claims by other party on "as is where is" basis and free from squatter(s), occupier(s) or tenant(s).

4.2 **Consideration for the Property and Construction Costs**

The consideration for the Acquisition is RM 6.4 million (the "**Consideration**"). The Consideration was arrived at based on arm's length negotiations between the Purchaser and the Vendor and on a willing-buyer and willing-seller basis, after taking into account the independent valuation of the Property as described in paragraph 2 of this announcement.

In addition, the Group has estimated that the construction costs to construct the fabrication building on the Property will be approximately RM 9.6 million.

The total investment commitment would be RM 16.0 million.

The above Consideration and constructions costs will be funded by a combination of the Group's internal financial resources and bank borrowings.

4.3 **Conditions Precedent**

The Acquisition shall be conditional upon the fulfillment of the following conditions precedent within four (4) months from the date of the SPA (subject to extension that may be agreed between the parties):

(a) the Vendor shall at its own cost and expense apply to the relevant state authority for consent to transfer in favour of the Purchaser (if required). Alternatively, the Vendor shall provide a confirmation to be issued by a qualified consultant regarding the infrastructure for public facilities to waive the requirement for consent to transfer;

(b) the Purchaser shall at its own cost and expense conduct the soil investigation and land survey on the Property and the results of the soil investigation and land survey shall be satisfactory and acceptable to the Purchaser;

(c) the Purchaser shall, to the extent required by applicable laws and regulations, obtain its ultimate shareholders' and board approval in relation to the Acquisition.

The SPA shall become unconditional on the date on which the last of the conditions precedent has been duly fulfilled or waived in accordance with the provisions of the SPA (the "**Unconditional Date**").

In the event of non-satisfaction of any of the conditions precedent by the applicable long-stop date, the SPA shall automatically terminate and the Vendor and/or the Vendor's solicitors shall refund all monies paid by the Purchaser free from interest within fourteen (14) days from the date of receipt of written notice from the Purchaser or the Purchaser's solicitors, failing which the Vendor shall pay interest at the rate of 8% per annum calculated on daily basis on such sum covenanted to be refunded from the expiration of the said fourteen (14) days until the date of actual refund.

4.4 **Payment of Consideration**

The Purchaser has, as at the date of this announcement, paid to the Vendor's solicitors a deposit amounting to RM640,000, equivalent to 10% of the Consideration, which shall be treated as part payment of the Consideration. The Deposit shall be released to the Vendor by the Vendor's solicitors within three (3) business days from the Unconditional Date.

Pursuant to the SPA, the balance of the Consideration shall be paid to the Vendor within three (3) months from the Unconditional Date.

4.5 **Completion**

To register the name of the Purchaser on the land title and to effect the transfer of the legal title of the Property from the Registered Proprietor to the Purchaser, the Purchaser is required to submit a memorandum of transfer (the "**Transfer**") which is a legal document prescribed under the National Land Code, 1965 to the Land Registry/Office.

Pursuant to the SPA, the Vendor shall, simultaneously with the execution of the SPA, procure the Registered Proprietor to execute the Transfer in favour of the Purchaser and deliver the duly executed Transfer to the Purchaser's solicitors. In connection with the foregoing, the Registered Proprietor has provided a letter of undertaking to the Purchaser's solicitors, pursuant to which the Registered Proprietor confirms, *inter alia*, that the Vendor is the beneficial owner of the Property and that it shall forward the Transfer and the original title in respect of the Property (the "**Title**") to the Purchaser's solicitors in order to effect the registration of the Transfer.

The Vendor shall deliver or cause to be delivered to the Vendor's solicitors the Title and

the Vendor's solicitors shall, within seven (7) business days deliver the Title to the Purchaser's solicitors upon receipt of the full payment of the Consideration and late payment interest (if any) as stakeholders.

The Title and the Transfer shall be presented for registration with the relevant land authorities within seven (7) business days from the date of the Purchaser's solicitors' receipt of the Title from the Vendor's solicitors.

## 5. CHAPTER 10 OF THE LISTING MANUAL

Under Chapter 10 of the listing manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), a transaction will be classified as a major transaction if any of the relative figures calculated on the bases set out in Rule 1006 of the Listing Manual exceeds 20% and if so, shareholders' approval must be obtained for the major transaction.

### 5.1 Relative Figures under Rule 1006 of the Listing Manual

Based on the audited consolidated financial statements of the Group for the year ended 31 December 2019, the relative figures in respect of the Acquisition, as computed on the bases set out in Rule 1006 of the Listing Manual, are as follows:

| Base | Relative Figure |
|---|---|
| Rule 1006(a) – the 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. |
| Rule 1006(b) – the net profits attributable to the assets acquired, compared with the Group's net profits | Not applicable as no profits are derived from the Property(1). |
| Rule 1006(c) – the aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares | 19.8% (2) |
| Rule 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 securities will be issued by the Company as consideration. |
| Rule 1006(e) – the aggregate volume or amount of proved and probable reserves to be disposed of, compared with the Group's proved and probable reserves | Not applicable as the Company is not a mineral, oil and gas company. |

**Notes:**

(1) The Acquisition is expected to complete subsequent to the termination of the Tenancy. However, in the event that completion of the Acquisition takes place on or prior to 31 May 2021, the Property will still be subject to the Tenancy. A monthly rental of RM15,000 is payable by the tenant under the Tenancy. This amount is immaterial for purposes of computation of the relative figure under Rule 1006(b) of the Listing Manual.

(2) The sum of the Consideration of RM 6.4 million and construction costs of RM 9.6 million (equivalent to an aggregate of approximately S$5,281,000, based on an exchange rate of 1SGD to RM3.03), is compared to the Company's market capitalisation of approximately S$26,685,722, which is

computed based on 580,124,400 shares in issue (excluding treasury shares) and the closing price of S$0.046 per share transacted on 4 March 2021, being the last market day preceding the date of signing of the SPA.

### 5.2 Discloseable Transaction

As the relative figure computed on the bases set out in Rule 1006(c) exceeds 5% but does not exceed 20%, the Acquisition constitutes a discloseable transaction as defined in Chapter 10 of the Listing Manual and shareholders' approval is not required for the Acquisition.

## 6. FINANCIAL EFFECTS OF THE ACQUISITION

### 6.1 Bases and Assumptions

The financial effects of the Acquisition are based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2019 and takes into account the construction costs of approximately RM9.6 million to be incurred in respect of the fabrication building on the Property.

The financial effects are presented for illustration purposes only and are not intended to reflect the actual future financial situation of the Group following the completion of the Acquisition.

### 6.2 Net Tangible Assets ("NTA")

Assuming that the Acquisition was completed on 31 December 2019, the financial effects of the Acquisition on the consolidated NTA of the Group are as follows:

| | **Before the Acquisition** | **After the Acquisition** |
|---|---|---|
| **NTA of the Group (S$'000)** | 55,109 | 55,042 |
| **NTA per share[(1)] (Singapore cents)** | 9.51 | 9.50 |

**Note:**

(1) Based on 579,524,400 shares of the Company in issue as at 31 December 2019.

### 6.3 Earnings per Share ("EPS")

Assuming that the Acquisition was completed on 1 January 2019, the financial effects of the Acquisition on the earnings per share of the Group are as follows:

| | **Before the Acquisition** | **After the Acquisition** |
|---|---|---|
| **Profit after tax (S$'000)** | 501 | 434 |
| **EPS per share[(1)] (Singapore cents)** | 0.09 | 0.07 |

**Note:**

(1) Based on 579,524,400 shares of the Company in issue as at 1 January 2019.

### 6.4 Gearing

The effect of the Acquisition of construction of building on the Property on the gearing of the Group for FY2019, assuming that bank borrowings of S$1.9 million were obtained, are as follows:

| | Before the Acquisition | After the Acquisition |
|---|---|---|
| **Total Borrowings (S$'000)** | 497 | 2,398 |
| **Shareholders' funds (S$'000)** | 55,099 | 55,032 |
| **Gearing** | 0.90% | 4.36% |

## 7. SERVICE AGREEMENTS

As at the date hereof, no person is proposed to be appointed as a Director of the Company in connection with the Acquisition.

## 8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company or their associates have any interest, direct or indirect in the Acquisition, other than through their respective shareholdings in the Company.

## 9. CAUTIONARY STATEMENT

Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully. Shareholders are also advised to refrain from taking any action in respect of their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. In the event of any doubt, Shareholders and potential investors should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

## 10. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 35 Tuas Road, Jurong Town, Singapore 638496 during normal office hours for a period of three (3) months commencing from the date of this announcement:

(a) the SPA;

(b) the Valuation Report; and

(c) the constitution of the Company.

**BY ORDER OF THE BOARD**

Cheng Woei Fen
Executive Chairlady
5 March 2021