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

CLARIFICATION ON THE ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The Board of Directors ("**Board**") of Mun Siong Engineering Limited ("**Company**") refers to the announcement released by the Company of its Annual Report for the financial year ended 31 December 2020 to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 7 April 2021 (Announcement Reference: SG210407OTHRPRZ0).

The Board wishes to provide the additional information in response to the SGX-ST's query as follows:-

Query 1:

Listing Rule 715(2) provides that the issuer must engage a suitable auditing firm for its significant foreign-incorporated subsidiaries and associated companies and Listing Rule 717 requires disclosure of the names of the auditing firm(s) appointed for each of its significant subsidiaries and associated companies.

Please disclose if the Company had engaged a suitable auditing firm for Pegasus Advance Engineering Pte. Ltd. and its subsidiaries. If so, provide the names of the auditing firm(s).

Company's Response to Query 1:

Pegasus Advance Engineering Pte Ltd is audited by KPMG LLP which is disclosed on page 78 of the Annual Report.

The subsidiaries of Pegasus Advance Engineering Pte Ltd are either not required to be audited in their jurisdictions or are insignificant (both revenue and profit /loss) to the Group. In respect of the former, the legal entities have yet to commence operations. However, in the event they do commence operations, the Company will adhere to Listing Rule 717. Hence, there is no need to disclose the names of the auditing firms for these foreign incorporated subsidiaries under Listing Rule 717.

Query 2:

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "**Code**"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 2.4 of the Code as you have not disclosed your board diversity policy and progress made towards implementing the board diversity policy, including objectives, and there were no explanations were provided for in your FY2020 annual report on how it is consistent with the intent of Principle 2 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to

make decisions in the best interest of the Company.

Company's Response to Query 2:

The Nominating Committee is governed by the terms of reference adopted by the Board. The terms of reference set out its policy and framework for promoting diversity on the Board. The Board recognizes a diverse Board is an important element which will better support the Company's achievement of its strategic objectives for a sustainable development. It also helps to enhance the decision-making process of the Board through the perspectives derived from their various skills, business experiences, industry disciplines, gender, age and other distinguishing qualities of the Directors.

The Board, through the Nominating Committee reviews the size and composition of the Board on an annual basis, to ensure that both aspects continue to meet the needs of the Group and is of the view that the present Board size and composition is appropriate for the current scope and nature of the Group's operations.

To assist the Nominating Committee in its review of the Directors' mix of skills and experiences that the Board needs, in order to function competently and efficiently, all Directors are required to submit a Board Committee Evaluation Questionnaire. Each Director has been appointed on the strength of his caliber, experience and stature, and is expected to bring a valuable range of experience and expertise to contribute to the development of the Group's strategy and the performance of its business. The Board members with their combined professional experience, knowledge and expertise, provide the core competencies to allow for diverse and objectives perspectives on the Group's business and direction.

The Board diversities are reflected on pages 10, 17, 19 and 30 of the Annual Report.

The Board is of the view that it complies with Provision 2.4 of the Code.

Query 3:

Listing Rule 1207(10C) requires the Audit Committee's comments on whether the internal audit function is independent, effective and adequately resourced. Please also provide information on whether the head of the internal audit function team has the relevant experience and qualifications and whether the head of the team is a member of IIA Singapore in your disclosure.

Company's Response to Query 3:

For the financial year ended 31 December 2020, the Group has outsourced the internal audit function to MS Risk Management Pte Ltd ("**MSRM**").

MSRM is an affiliated firm of Moore Stephens LLP, a leading accounting and consulting firm that has been established in Singapore for more than 30 years. MSRM is a member of the Institute of Internal Auditors Singapore ("IIA") and staffed with persons with the relevant qualifications and experience to perform the review and testing of controls of the Group's processes consistent with the International Standards for the Professional Practice of Internal Auditing laid down in the International Professional Practices Framework issued by the Institute of Internal Auditors.

The MSRM team is headed by Ms Lao Mei Leng, a Director of MSRM and also an Audit Partner of Moore Stephens LLP. Ms Lao is a practising member of the Institute of Singapore Chartered Accountants ("**ISCA**") and a member of IIA and Singapore Institute of Directors ("**SID**"). She has more than 20 years of audit experience and provides audit services, documentation of policies and procedures, sustainability reporting, SOX compliance and corporate governance review to a number of public-listed companies, MAS-regulated entities and government agencies. Ms Lao is assisted by a Manager who directly oversees the engagement team and has over 13 years of experience in providing risk management services.

The Audit Committee, on an annually basis, reviews the adequacy and effectiveness of the internal audit function to ensure that resources are adequate and that the internal audits are performed effectively. It approves the appointment, termination, evaluation and the appointment of the internal auditors.

The Audit Committee is satisfied that internal audit function, outsourced to MSRM, is staffed by suitably qualified and experienced independent professionals with the relevant experience to perform its function effectively.

BY ORDER OF THE BOARD

Cheng Woei Fen
Executive Chairlady

22 April 2021