



**MUN SIONG ENGINEERING LIMITED**

(Company Registration Number: 196900250M)

(Incorporated in the Republic of Singapore)

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**FURTHER UPDATE ON THE INVESTIGATION BY THE MINISTRY OF JUSTICE INVESTIGATION BUREAU  
(TAIWAN) AND IMPOSITION OF PENALTIES AND SUSPENSION BY TAIWAN CPC CORPORATION  
("CPC")**

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The Board of directors (the "**Board**") of Mun Siong Engineering Limited (the "**Company**" and together with its related companies, (the "**Group**") wishes to provide a further update following the Company's announcement on 21<sup>st</sup> June 2022. Unless otherwise stated, all capitalized terms used in this Announcement shall have the meanings ascribed to them in the announcement of 21<sup>st</sup> June 2022.

The Board wishes to inform shareholders that the Company's Branch Office in Kaohsiung, Taiwan (the "**Branch Office**") had received two letters dated 20<sup>th</sup> June 2022 and 23<sup>rd</sup> June 2022 from CPC regarding CPC Talin and CPC Taoyuan projects respectively (collectively, the "**Penalty Letters**"). The Penalty Letters were received by the Branch Office on 22<sup>nd</sup> June 2022 and 24<sup>th</sup> June 2022 respectively. In addition, the Branch Office had also received two letters dated 21<sup>st</sup> June 2022 and 23<sup>rd</sup> June 2022 from CPC regarding CPC (Talin) and CPC (Taoyuan) respectively (collectively, the "**Suspension Letters**"). The Suspension Letters were received by the Branch Office on 23<sup>rd</sup> June 2022 and 24<sup>th</sup> June 2022 respectively. The Penalty Letters and Suspension Letters are collectively referred to as the "**CPC Letters**".

***The CPC Letters***

Pursuant to the Penalty Letters, CPC is claiming from the Branch Office sums equivalent to double the amounts that were allegedly paid as bribes by the Consultant in connection with the two contracts awarded by CPC (Talin and Taoyuan projects) to the Branch Office. The penalties amounts are computed based on the alleged bribe payments as recorded in the Qiaotou District Prosecutor's Office in Kaohsiung (Taiwan) press release (dated 25<sup>th</sup> May 2022) (the "**Qiaotou District Prosecutor Press Release**") for the two integrated Turnaround projects entered between CPC (Talin and Taoyuan) and the Branch Office.

For the first CPC Talin Integrated Turnaround project awarded (dated 11<sup>th</sup> June 2019) and completed in 2019, the penalty amount is TWD3.0 million (equivalent to approximately S\$141,000 based on the exchange rate of S\$1 to TWD21.3452). For the second CPC Taoyuan Integrated Turnaround project awarded (dated 26<sup>th</sup> March 2021) and completed in 2021, CPC imposed the penalty amount of TWD800,000 (equivalent to approximately S\$38,000 based on the exchange rate of S\$1 to

TWD21.3452). Total penalties amount to TWD3.8 million (equivalent to approximately S\$179,000 based on the exchange rate of S\$1 to TWD21.3452).

CPC had also indicated in the Penalty Letters that the above amount will be deducted from the existing CPC projects which the Branch Office is currently carrying out or projects that are already completed (but has yet to finalise the contract value). As at the date of this announcement, the Branch Office has in Q4 2021 completed a contract for the Integrated Turnaround project in CPC (Talin) Refinery RFCC Unit Kaohsiung 2021 (the “**RFCC TA 2021**”)– (please see below financial statements section) and the contract is now awaiting finalization of final value and payments. To date, CPC Taoyuan has retained a sum of TWD2.2 million (equivalent to approximately S\$103,000 based on the exchange rate of S\$1 to TWD21.3452) in accordance with the contract terms for the second integrated Turnaround project.

In addition to the above monetary penalties, CPC being a state-owned company, has expressed its intention to impose a fixed term suspension of 3 years during which the Company and Branch Office are not allowed to participate in government contracts under the Government Procurement Act of Taiwan.

The above actions taken by CPC were based on the claims alleged in the Qiaotou District Prosecutor Press Release, alleging that the Consultant, whom the Branch Office engaged, had paid bribes to certain employees within CPC. The Consultant has been indicted on bribery charges. As per the Company’s announcement dated 21<sup>st</sup> June 2022, the consultancy agreement between the Branch Office and the Consultant had been terminated on 30<sup>th</sup> May 2022.

## **Company’s responses**

### *Appeals against the Penalty Letters and Suspension Letters:*

The Branch Office has instructed Messrs Chen & Lin Attorneys-at-Law – Taiwan (“**Legal Counsel**”) on its behalf, to appeal the above penalties and suspension imposed. On 24<sup>th</sup> and 30<sup>th</sup> June 2022, four separate letters of appeal were sent to the respective CPC departments in charge of the CPC Talin and Taoyuan projects. The grounds of our appeals are similar in both instances.

The salient points of the Branch Office’s appeals are:

1. The two projects in question were awarded to the Branch Office through an open tender, with CPC terms and conditions duly observed and complied with. Subsequent to the award, both CPC Talin and CPC Taoyuan (as plant owners), negotiated pricing and other terms directly with the Branch Office. The Company believes that the projects were awarded by two different panels of CPC personnel to the Branch Office on competitive pricing, terms, and conditions.
2. The consultancy agreement between the Branch Office and Consultant was for the latter to identify business opportunities, recommend subcontractors and assist to mitigate differences between the seconded Singapore work team and the local subcontractors during the execution period. The Consultant was never an employee and nor has the Consultant been delegated with any executive authority by the Branch Office or Company. All decisions (including on pricing) are made by Singapore Office.

3. The Company and Branch Office were only alerted to the indictment of the Consultant through the Qiaotou District Prosecutor Press Release and would not have known of this otherwise. The Company does not engage in such practices (bribery) and confirms that monies in the alleged bribe payments were not paid by the Company or the Branch Office. It also does not condone its officers and representatives to engage in such practices. The Group Finance Director has provided a declaration that no such bribe payments were made.
4. The Group's Finance Director has also stated in his declaration that the fees paid to the Consultant were according to the terms in the consultancy agreement. The Company has not made any payment to the Consultant, other than fees paid to him in accordance with the consultancy agreement. The financial records of the Branch Office are maintained in Singapore, and payments are only made based on value tax invoices, ensuring that such payments are for actual goods and services received or rendered. The Company has internal control processes in place, and payments or claims that are suspicious must be investigated by him.
5. The Consultant was only paid fees for the first Integrated Turnaround Project (CPC Talin) that was completed in 2019. The Branch Office did not enter into any consultancy agreement with the Consultant for the second Integrated Turnaround Project - CPC (Taoyuan) that was completed in 2020. As such, no fee was paid to the Consultant in relation to the CPC Taoyuan project.
6. Legal Counsel is of the opinion that CPC's actions for both CPC Talin and CPC Taoyuan projects actions (penalties and suspensions) are premature as the Court proceedings against the Consultant have not commenced yet. Their actions are based on the Qiaotou District Prosecutors' Press Release.

**As at the date of this Announcement, the Qiaotou District Prosecutor has not named the Company (including its Branch Office), nor its officers as defendants in the bribery charges; neither does the Qiaotou District Prosecutor Press Release.**

#### **Actions to be taken by the Company/Branch Office**

The Company will defend the request for the return of the bid deposits, monetary penalties and suspensions imposed by CPC. The Board is of the view that the actions that have been taken by CPC is detrimental to the Group's reputation and integrity.

#### *Responses by CPC on the return of the bid deposits and penalties*

As stated in the Company's announcement dated 21st June 2022, the Branch Office had issued two letters separately relating to the CPC (Talin) and CPC (Taoyuan) projects, denying any liability to return of the bid deposits, totaling TWD3.37 million (equivalent to approximately S\$158,300 based on the exchange rate of S\$1 to TWD21.3452). Respective departments in charge of CPC (Talin) and CPC (Taoyuan) have replied separately on 4<sup>th</sup> July (received by the Branch Office on 5<sup>th</sup> July 2022) and 5<sup>th</sup> July 2022 (received by Branch Office on 6<sup>th</sup> July 2022) respectively, rejecting the Branch Office's objections and demanding the return of the bid deposits. CPC has in their letters mentioned they will deduct the refund of the bid deposits of TWD3.37million from (i) the contract for CPC (Talin) (RFCC TA

2021 completed in Q4 2021 (please see below financial statements section) which is now awaiting finalization of final value and payments - the amount of refund bid deposit to be deducted is TWD 2,290,000 or S\$107,300; and (ii) CPC Taoyuan will deduct TWD 1,080,000 or S\$51,000 from the retention sum of TWD2.2 million of S\$103,000 which was retained (during the warranty period) in accordance to the contract terms for the second integrated turnaround project.

On the letter dated 6<sup>th</sup> July (received by the Branch office on 7<sup>th</sup> July 2022), regarding CPC Talin, CPC has also rejected the Branch Office's objection on the penalty amount of TWD3.0 million or S\$141,000. This penalty amount will also be deducted from the RFCC TA 2021 project as mentioned above.

The Branch Office has yet to receive reply from CPC Taoyuan on the penalty of TWD800,000 or S\$38,000. In the event the Branch Office's appeal against the penalty is rejected, the Company believes that this penalty will also likely be deducted from the retention sum as mentioned above.

#### *Application to attend the Consultant's indictment charges*

Legal Counsel has commenced application, on behalf of the Company/Branch Office, to the Court to attend the Consultant's bribery indictment charges, as a victim of the alleged bribery on the basis that the action by CPC is detrimental to the operations and impacts the integrity of the Group.

However, since the Company/Branch Office (including its officers) are not indicted on any of the bribery charges, the Courts may not approve such an application.

#### *Public Construction Commission*

In the event that appeals to the CPC entities yields unfavourable outcomes (return of the bid deposits, penalties and suspension), the Branch Office intends to submit appeals (in terms of the return of the bid deposits and suspension) to the Public Construction Commission (the "PCC"), an avenue prescribed under the Government Procurement Act of Taiwan. The PCC is a body comprised of professionals drawn from different disciplines such as legal, finance and engineering. The PCC will make its independent enquiries and review statements from CPC regarding both the CPC Talin and CPC Taoyuan projects and from the Branch Office. It should be noted that the PCC is an enquiry committee and does not have investigative powers, hence, the PCC may also rely on the Qiaotou District Prosecutor Press Release for guidance. In view of this, the Company's executive directors and group finance director intend to provide statutory declarations (or its equivalent under Taiwan laws) to substantiate its stance that the Company (including the Branch Office) have never initiated or authorized or made any bribery payments in Taiwan or in any jurisdiction that the Group operates in.

Prior to the outcome of the PCC findings, CPC will have to defer imposing any suspension on the Branch Office and Company. The Company understands from Legal Counsel that the PCC normally would require between 3 to 6 months before arriving at their findings. The suspension would be effected immediately if the PCC findings are not in favour of the Branch Office.

## ***Impact on the financial statements and Taiwan operations:***

### *Financial statements*

In addition to the total call for the refund of bid deposits (dated 21<sup>st</sup> June 2022) of TWD3.37 million or S\$158,300 and the above total penalties of TWD3.8 million or S\$179,000, the total aggregate amount is TWD7.17 million or S\$337,300. This represents 0.61% of the Group's shareholders' funds as at 31 December 2021.

As mentioned above, for the CPC Talin and CPC Taoyuan projects, CPC rejected the Branch Office's objection letters on the refund of total bids of TWD3.37 million or S\$158,300. For the CPC Talin project, CPC has also rejected the Branch Office's appeal for the penalty of TWD3.0 million or S\$141,000. CPC will deduct the refund bid and penalty amount, totalling TWD5,290,000 or S\$248,300, from the RFCC TA 2021, which is a completed project (subject to finalisation of contract dollar value), and the refund bid deposit of TWD1,081,000 or S\$51,000 from the retention sum pertaining to the second integrated Turnaround project.

At the date of this Announcement, regarding the CPC Taoyuan project, CPC has yet to reply to the Branch Office's appeal against the penalty of TWD 800,000 or S\$38,000. In the event the appeal is not successful, this penalty amount will also likely be deducted from the retention sum pertaining to the second integrated Turnaround project.

The Branch Office is in the midst of finalising the contract dollar value for RFCC TA 2021. This project was duly awarded to the Branch Office and is not linked to the allegations mentioned in the Qiaotou District Prosecutor Press Release. The estimated value (final contract sum pending finalization) for this RFCC TA 2021 is TWD350 million (equivalent to approximately S\$17.4 million based on the actual average exchange rate of S\$1 to TWD20.184). 86.3% of this amount has been paid by CPC to the Branch Office as at 31<sup>st</sup> May 2022. In accordance with the CPC contract for this project, the remaining amount will be paid to the Branch Office after finalisation of the contract value. The final contract value which was scheduled to be completed by end of June 2022 has now been extended to Q3 2022.

Currently, the Branch Office has a number of on-going jobs from CPC, and they are small in dollar value.

For reasons of prudence, the Company will make the necessary provisions in its financial statements for the above amount. This will be reflected in the Group's first half financial statements ended 30<sup>th</sup> June 2022. As the Group's first half financial period has just ended, the Company is currently preparing the relevant financial statements. In the event that the provisions are material to the financial performance, an appropriate guidance will be issued by the Company.

### *Taiwan operations*

The Group secured its first major contract in Taiwan from CPC (Talin) in 2019. This project was completed 1.5 days earlier than the period stipulated and no claims were made for any defective works within the warranty period.

Since then, both CPC (Taoyuan) and CPC (Talin), have awarded the Branch Office contracts amounting to S\$26.2 million. These contracts made significant contributions to the Group's revenue. Revenue

contributions from the Taiwan operations will be significantly reduced during the 3 years suspension (if imposed).

Although the Branch Office has made efforts to cultivate other business relationship in Taiwan, these efforts have yet to see fruition.

**Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company. The Company will make the necessary announcements when there are material developments on this matter. Shareholders of the Company and potential investors are advised to read all further announcements by the Company carefully and to consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.**

**By Order of the Board**

Cheng Woei Fen  
Executive Chairlady

12<sup>th</sup> July 2022