

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

PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE OF WARRANTS ON THE BASIS OF FOUR (4) WARRANTS FOR EVERY TEN (10) EXISTING ORDINARY SHARES

1. Introduction

The board of directors ("**Directors**") of Mun Siong Engineering Limited ("**Company**") wishes to announce that the Company is proposing to undertake a renounceable non-underwritten rights issue ("**Warrants Issue**") of up to 166,683,200 warrants ("**Warrants**"), at an issue price of S\$0.0015 ("**Issue Price**") for each Warrant, each Warrant carrying the right to subscribe for one (1) new ordinary share in the capital of the Company ("**New Share**") at an exercise price of S\$0.01 for each New Share ("**Exercise Price**"), on the basis of four (4) Warrants for every ten (10) existing ordinary shares ("**Shares**") in the capital of the Company held by the Entitled Shareholders (as defined below) as at the books closure date to be determined by the Directors ("**Books Closure Date**"), fractional entitlements to be disregarded.

2. Principal Terms of the Warrants Issue

2.1 Terms of the Warrants

The Warrants will be issued in registered form and be constituted in an instrument by way of a deed poll (the "**Deed Poll**") that sets out the terms and conditions of the Warrants and which may from time to time be amended or supplemented.

Each Warrant will, subject to the terms and conditions to be set out in the Deed Poll, carry the right to subscribe for one (1) New Share at an exercise price of S\$0.01 for each New Share, payable in cash during the period (the "**Exercise Period**") commencing from and including the date of issue of the Warrants and expiring at 5.00 p.m. on the market day immediately preceding the third (3rd) anniversary of the date of issue of the Warrants. Any Warrant which remains unexercised at the end of the Exercise Period shall thereafter lapse and cease to be valid for all purposes.

The Exercise Price of S\$0.01 for each New Share represents a discount of approximately 89.36% to the last transacted price of S\$0.094 per Share on the Main Board of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 28 April 2014 (being the latest market day on which there were trades in the Company's Shares immediately preceding the date of this announcement). The Exercise Price and the number of Warrants will be subject to adjustments under certain circumstances in accordance with the Deed Poll.

An application will be made to the SGX-ST for the listing of and quotation for the Warrants and the New Shares on the Main Board of the SGX-ST. The Warrants will be listed and traded on the Main Board of the SGX-ST under the book-entry (scripless) settlement system. The listing of and quotation for the Warrants and the New Shares on the Main Board of the SGX-ST, if approved, is expected to be subject to, *inter alia*, there being an adequate spread of holdings of the Warrants to provide for an orderly market in the trading of the Warrants. Each board lot of the Warrants will consist of 1,000 Warrants

or such other board lot size which the SGX-ST may require and as may be notified by the Company.

The New Shares arising from the exercise of Warrants will rank *pari passu* in all respects with the then existing issued Shares save for any dividends, rights, allotments or other distributions, the record date for which falls before the relevant exercise date of the Warrants, save as may be otherwise provided for in the Deed Poll. For this purpose, “record date” means, in relation to any dividends, rights, allotments or other distributions, the date as at the close of business (or such other time as may have been notified by the Company) on which shareholders of the Company (“**Shareholders**”) must be registered in order to participate in such dividends, rights, allotments or other distributions.

An offer information statement (“**OIS**”) will be lodged with the Monetary Authority of Singapore (“**MAS**”) in relation to, and for the purpose of the Warrants Issue. An announcement will be made at a later date on the lodgement of the OIS with MAS.

2.2. Trading of Odd-lots

All fractional entitlements to the Warrants will be disregarded in arriving at the entitlements of the Entitled Shareholders and will be dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company. Shareholders should note that subject to the requirement of SGX-ST, the Warrants are quoted on the Main Board of the SGX-ST in board lot sizes of 1,000 warrants. Following the Warrants Issue, Shareholders who hold odd lots of the Warrants (i.e. less than 1,000 Warrants) and who wish to trade in odd lots on the Main Board of the SGX-ST should note (where applicable) the setting up of the Unit Share Market of the SGX-ST to allow for trading of odd lots which would be announced or disclosed in the OIS.

2.3 Eligibility to Participate in the Warrants Issue

The Warrants Issue is proposed to be offered on a renounceable basis to Shareholders whose names appears in the records of The Central Depository (Pte) Limited (“**CDP**”), or the Register of Members of the Company, as the case may be, as at the Books Closure Date, with registered addresses in Singapore or who have, at least five (5) consecutive market days prior to the Books Closure Date, provided to CDP or the Company, as the case may be, addresses in Singapore for the service of notices and documents (“**Entitled Shareholders**”). The Warrants Issue will be made on the basis of four (4) Warrants for every ten (10) Shares held by Entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded and will, together with the provisional allotments of Warrants which are not taken up for any reason, be aggregated and used to satisfy applications for excess Warrants (if any) or disposed of or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company. Entitled Shareholders will be provisionally allotted Warrants entitlements on the basis of their shareholdings as at the Book Closure Date.

In the allotment of excess Warrants, preference will be given to the rounding of odd lots. Directors and substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Warrants Issue, will rank last in priority for the rounding of odd lots and allotment of excess Warrants.

For practical reasons and in order to avoid any violation of the relevant legislation applicable in countries other than Singapore, the Warrants will NOT be offered or credited or allotted (as the case may be) to Shareholders with registered addresses outside Singapore as at the Books Closure Date and who have not, at least five (5) market days prior thereto, provided to the Company or CDP, as the case may be,

addresses in Singapore for the service of notices and documents, (the “**Foreign Shareholders**”). If it is practicable to do so, arrangements may, at the discretion of the Company, be made for the provisional allotments of the Warrants which would otherwise have been provisionally allotted to Foreign Shareholders, to be sold “nil-paid” on the Main Board of the SGX-ST as soon as practicable after dealings in the provisional allotments of Warrants commence and the net proceeds from all such sales, after deduction of all expenses therefrom, will be pooled and thereafter distributed to Foreign Shareholders in proportion to their respective shareholdings or, as the case may be, the number of Shares entered against their names in the Depository Register or the Register of Members (as the case may be) as at the Books Closure Date and sent to them at their own risk by ordinary post. If the amount of net proceeds distributable to any single Foreign Shareholder is less than S\$10.00, such amount will be retained for the sole benefit of the Company or otherwise dealt with as the Directors may, in their absolute discretion, deem fit in the interest of the Company and no Foreign Shareholder shall have any claim whatsoever against the Company or CDP or the Directors or share registrar and their respective officers in connection therewith. Where such provisional allotments of Warrants are sold on the Main Board of the SGX-ST, they will be sold at any such price or prices as the Company, may in its absolute discretion, decide and deem fit and no Foreign Shareholder shall have any claim whatsoever against the Company or CDP or the Directors or share registrar in respect of such sales. Where such provisional allotments of Warrants cannot be or are not sold on the Main Board of the SGX-ST as aforesaid for any reason by such time as the SGX-ST shall have declared as the last day for trading in the provisional allotments of Warrants, the Warrants represented by such provisional allotments will be dealt with as the Directors may, in their absolute discretion, deem fit in the interest of the Company and no Foreign Shareholder shall have any claim whatsoever against the Company or CDP or the Directors or share registrar and their respective officers in connection therewith.

Entitled Shareholders will be free to accept in full or in part, decline or otherwise renounce their provisional allotment of Warrants under the Warrants Issue, and will also be eligible to apply for additional Warrants in excess of their provisional allotments.

2.4 Option to Scale Down

Depending on the level of subscription for the Warrants, the Company will, if necessary, scale down the subscription and/or excess applications for the Warrants by any of the Shareholders (if such Shareholder chooses to subscribe for its pro-rata Warrants and/or apply for excess Warrants) to:

- (a) ensure that the relevant Shareholder does not hold a controlling interest in the Company, which is prohibited by Rule 803 of the Listing Manual of the SGX-ST unless prior specific approval is obtained from Shareholders in a general meeting; or
- (b) avoid placing the relevant Shareholder and parties acting in concert with him (as defined under The Singapore Code on Take-overs and Mergers (“**Code**”) in the position of incurring a mandatory general offer obligation under the Code,

as a result of other Shareholders not taking up their Warrants Entitlements fully (“**Scaling Down**”).

3. Irrevocable Undertakings

As at the date of this announcement, Cheng Woei Fen (“**CWF**”) and Quek Chiau Liong (“**QCL**”), hold 199,284,000 and 36,540,000 Shares respectively representing approximately 47.82% and 8.77% respectively of the total issued and paid-up share capital of the Company. Accordingly, CWF and QCL will be entitled to subscribe for an aggregate of 94,329,600 Warrants.

To demonstrate their support for the Warrants Issue, each of CWF and QCL (collectively, “**Undertaking Shareholders**”) has agreed to provide the Company with an irrevocable undertaking to subscribe and pay for, and/or procure the subscriptions and payment for, their respective Warrants entitlements under the Warrants Issue, based on the number of Shares held by each of them as at the date of their respective irrevocable undertaking (“**Irrevocable Undertakings**”). The total subscription price payable by the Undertaking Shareholders for the subscription of an aggregate of 94,329,600 Warrants will amount to approximately S\$141,494.

The Irrevocable Undertakings will be subject to, *inter alia*, receipt of in-principle approval from the SGX-ST for the listing and quotation of the Warrants and New Shares on the Main Board of the SGX-ST and lodgement of OIS with MAS.

4. Rationale of the Warrants Issue and Use of Proceeds

The Directors believe that the Warrants Issue will provide Shareholders with the opportunity to obtain further equity participation in the Company by subscribing for the New Shares through the exercise of the Warrants. In addition, as and when the Warrants are exercised, the New Shares arising therefrom are expected to improve the liquidity in the trading of the Company’s Shares.

As at the date of this announcement, the Company has 416,708,000 issued and fully paid-up Shares (the “**Existing Issued Share Capital**”). None of the Shares are subject to moratorium. Based on the Existing Issued Share Capital, the Warrants Issue will comprise up to 166,683,200 Warrants representing approximately up to 40% of the Existing Issued Share Capital. Assuming that the Warrants are fully subscribed, 166,683,200 Warrants are issued and all the 166,683,200 Warrants issued are exercised, the share capital would increase to 583,391,200 Shares, representing approximately 140% of the Existing Issued Share Capital.

Assuming that Warrants are fully subscribed and 166,683,200 Warrants are issued, the gross proceeds from the subscription of the Warrants pursuant to the Warrants Issue will amount to approximately S\$250,025 and the gross proceeds will be sufficient to cover the professional fees and related expenses of the Warrant Issue.

Assuming that all the 166,683,200 Warrants issued are exercised and based on the Exercise Price of S\$0.01, the Company will receive gross proceeds of approximately S\$1,666,832 from the exercise of the Warrants.

As and when the Warrants are exercised, the proceeds arising therefrom will be applied towards working capital.

As and when any significant amount of the proceeds is deployed, the Company will make the necessary announcements and subsequently provide a status report on the use of such proceeds and any material deviation therefrom in its annual report.

Pending the deployment of the net proceeds for the uses identified above, the net proceeds may be placed as deposits with financial institutions or invested in short-term money market or debt instruments or for any other purposes on a short-term basis as the Directors may deem fit.

The Directors are of the opinion that, after taking into consideration of the Group's internal sources of funds, the net proceeds raised from the Warrants Issue, cash generated from the Group's business operations and the Group's present banking facilities, the working capital available to the Group is sufficient to meet the Group's present funding requirements.

In view of the Irrevocable Undertakings, the Exercise Price being a discount of approximately 89.47% to the weighted average price of S\$0.095 per Share for trades done on the SGX-ST on 28 April 2014 (being the latest market day on which there were trades in the Company's Shares immediately preceding the date of this announcement) and the savings in costs by the Company in respect of no underwriting fees, the Company has decided to proceed with the Warrants Issue on a non-underwritten basis.

5. Approval

The Warrants Issue will be undertaken pursuant to the share issue mandate ("**Share Issue Mandate**") approved by the Shareholders at the annual general meeting ("**AGM**") of the Company held on 16 April 2014 and no further Shareholders' approval will be specifically sought for the Warrants Issue and the New Shares arising therefrom. The Share Issue Mandate authorises, *inter alia*, the Directors to issue new shares in the capital of the Company whether by way of rights, bonus or otherwise provided that, among others, the aggregate number of shares to be issued pursuant to the Share Issue Mandate shall not exceed 50% of the total number of issued shares of the Company as at the date of the AGM (subject to certain adjustments provided in the Share Issue Mandate).

The Warrants Issue is subject to, *inter alia*, receipt of in-principle approval ("**AIP**") from the SGX-ST for the listing and quotation of the Warrants and New Shares on the Main Board of the SGX-ST, lodgement of OIS with MAS and there being an adequate spread of holdings of the Warrants to provide for an orderly market in the trading of the Warrants. An application will be made to the SGX-ST for permission to deal in, and the listing of and quotation for all the Warrants and the New Shares on the Main Board of the SGX-ST. Appropriate announcement in relation to the application, among others, will be made in due course. The OIS will be lodged with MAS in due course before the Warrants are issued. The date for the Books Closure Date will only be fixed and announced after the SGX-ST has issued AIP or approved the Warrants Issue (as the case may be).

6. Interests of Directors and Controlling Shareholders

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect on the Warrants Issue, other than their respective interests in the Shares.

7. Directors' Responsibility Statement

The Directors of the Company (including any Director who may have delegated detailed supervision of the preparation of this announcement) collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries that to the best of their knowledge and

belief, this announcement constitutes full and true disclosure of all material facts about the Bonds Issue, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

By Order of the Board

Cheng Woei Fen
Executive Chairman
6 May 2014