

ADDENDUM DATED 15 APRIL 2020

THIS ADDENDUM IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt about this Addendum or the action you should take, you should consult your stockbroker, bank manager, accountant, solicitor, tax adviser, or other professional adviser immediately.

This Addendum is circulated to shareholders of Mun Siong Engineering Limited (the “**Company**”) together with the Company’s Annual Report (as defined in this Addendum). Its purpose is to provide Shareholders (as defined in this Addendum) with the relevant information relating to, and to seek Shareholders’ approval for, the proposed renewal of the Share Purchase Mandate (as defined in this Addendum) to be tabled at the Annual General Meeting held at **The Theatre, 1st Floor, Trade Association Hub, 9 Jurong Town Hall Road, Jurong Town Hall, Singapore 609431 on Thursday, 30 April 2020 at 3.00 pm.**

The Notice of Annual General Meeting and a Proxy Form are enclosed with the Annual Report.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the accuracy of any of the statements made, reports contained or opinions expressed in this Addendum.



MUN SIONG ENGINEERING LIMITED

(Company Registration No. 196900250M)
(Incorporated in the Republic of Singapore)

ADDENDUM TO ANNUAL REPORT

**IN RELATION TO THE PROPOSED RENEWAL
OF THE SHARE PURCHASE MANDATE**

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DEFINITIONS

In this Addendum, the following definitions apply throughout except where the context otherwise requires:

- “ACRA”** : The Accounting and Corporate Regulatory Authority
- “Addendum”** : This addendum to Shareholders dated 15 April 2020 in relation to the proposed renewal of the Share Purchase Mandate
- “AGM”** : The annual general meeting of the Company
- “Annual Report”** : The annual report of the Company for FY2019
- “Associate”** : (a) in relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:
- (i) his immediate family;
 - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
 - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more;
- (b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
- “Associated Company”** : A company or a subsidiary of such company in which at least 20% but not more than 50% of its shares are held by the Group
- “Associated Company Executive Director”** : A director of an Associated Company who performs an executive function
- “Board”** : The Board of Directors of the Company
- “CDP”** : The Central Depository (Pte) Limited
- “Committee”** : The remuneration committee of the Company from time to time

DEFINITIONS

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|-----------------------------------|---|---|
| “Company” | : | Mun Siong Engineering Limited, a company incorporated in the Republic of Singapore |
| “Companies Act” | : | The Companies Act (Chapter 50) of Singapore, as amended, supplemented or modified from time to time |
| “Controlling Shareholder” | : | A person who: (a) holds directly or indirectly 15% or more of the total number of issued Shares excluding Treasury Shares in the Company. The SGX-ST may determine that a person who satisfies this paragraph is not a controlling shareholder; or (b) in fact exercises control over the Company |
| “Directors” | : | The Directors of the Company as at the date of this Addendum |
| “EPS” | : | Earnings per Share |
| “FY” or “Financial Year” | : | The financial year ending on 31 December of the relevant year |
| “FY2019 AGM” | : | The AGM to be held on Thursday, 30 April 2020, notice of which is set out in the Notice of AGM accompanying the Annual Report |
| “Grantee” | : | The person to whom an Award is granted |
| “Group” | : | The Company and its subsidiaries |
| “Group Executive Director” | : | A director of the Company and/or any of its subsidiaries, as the case may be, who performs an executive function |
| “Latest Practicable Date” | : | The latest practicable date prior to the printing of this Addendum, being 13 March 2020 |
| “Listing Manual” | : | The listing manual of the SGX-ST as amended, supplemented or modified from time to time |
| “Market Day” | : | A day on which the SGX-ST is open for trading in securities |
| “MSE PSP” | : | The MSE Performance Share Plan as amended, supplemented or modified from time to time |
| “Notice of AGM” | : | The notice of the AGM enclosed with the Annual Report, for the purposes of considering and, if thought fit, passing with or without modifications, the resolutions as set out therein |

DEFINITIONS

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| “NTA” | : | Net tangible assets |
| “ROE” | : | Return on equity |
| “SFA” | : | The Securities and Futures Act (Chapter 289) of Singapore as amended, supplemented or modified from time to time |
| “SGX-ST” | : | Singapore Exchange Securities Trading Limited |
| “Shareholders” | : | Registered holders of Shares, except that where the registered holder is the CDP, the term “ Shareholders ” shall, in relation to such Shares, and where the context admits, mean the Depositors whose securities accounts are maintained with CDP (but not including securities sub-accounts maintained with a Depository Agent) and credited with Shares |
| “Shares” | : | Ordinary shares in the issued share capital of the Company |
| “Substantial Shareholder” | : | A person who has an interest in not less than 5% of the issued voting shares of the Company |
| “Share Purchase” | : | The purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate |
| “Share Purchase Mandate” | : | A general and unconditional mandate given by Shareholders (including the subsequent renewal thereof if approved by Shareholders) that authorises the Directors to purchase or acquire Shares in accordance with the terms set out in this Addendum as well as the rules and regulations set forth in the Companies Act and the Listing Manual |
| “Take-over Code” | : | The Singapore Code on Take-overs and Mergers, as the same may be amended or modified from time to time |
| “S\$”, “\$” and “cents” | : | Singapore dollars and cents, respectively |
| “%” | : | Per centum or percentage |

The terms “**Depositor**”, “**Depository Register**” and “**Depository Agent**” shall have the meanings ascribed to them respectively in Section 81SF of the SFA. The term “**Treasury Shares**” shall have the meaning ascribed to it in Section 4 of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing the masculine gender shall, where applicable, include the feminine and the neuter genders and *vice versa*. Words importing persons shall include corporations.

DEFINITIONS

Any reference in this Addendum to any statute or enactment is a reference to that statute or enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, SFA or the Listing Manual or any statutory modification thereof and not otherwise defined in this Addendum shall have the same meaning assigned to it under the Companies Act, SFA or the Listing Manual or such statutory modification thereof, as the case may be.

Any reference to a time of day in this Addendum is made by reference to Singapore time unless otherwise stated.

Any discrepancies in tables included herein between the amounts listed and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Any reference to “**you**”, “**your**” and “**yours**” in this Addendum is, as the context so determines, to Shareholders.

The headings in this Addendum are inserted for convenience only and shall not affect the construction of this Addendum.

LETTER TO SHAREHOLDERS

MUN SIONG ENGINEERING LIMITED

(Company Registration No. 196900250M)
(Incorporated in the Republic of Singapore)

Directors:

Cheng Woei Fen (*Executive Chairlady*)
Quek Kian Hui (*Executive Director*)
David Tan Chao Hsiung (*Non-Executive and Lead Independent Director*)
Peter Sim Swee Yam (*Non-Executive and Independent Director*)
Lau Teik Soon (*Non-Executive and Independent Director*)
Mah Kai Leong (*Non-Executive and Independent Director*) [appointed on
4 March 2020]

Registered Office:

35 Tuas Road
Jurong Town
Singapore 638496

15 April 2020

To: The Shareholders of Mun Siong Engineering Limited

Dear Sir/Madam

THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

1 INTRODUCTION

At the forthcoming AGM of the Company to be held on 30 April 2020, the Directors are seeking the approval of the Shareholders for the proposed renewal of Share Purchase Mandate (“**Proposal**”).

The Share Purchase Mandate was first approved by Shareholders at the AGM held on 20 April 2016. The authority conferred pursuant to the Share Purchase Mandate may be exercised by the Directors at any time during the period commencing from the AGM dated 23 April 2019 and expiring on the date when the next AGM is held, or the date by which the next AGM is required by law to be held, or when the authority conferred is revoked or varied in any general meeting of the Company, whichever is earlier.

The existing Share Purchase Mandate will expire on the date of the Company’s FY2019 AGM. Accordingly, the Directors of the Company are seeking the approval of the Shareholders for the renewal of the Share Purchase Mandate at the FY2019 AGM.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Addendum. If a Shareholder is in any doubt as to the action he should take, he should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

2 TERMS OF THE SHARE PURCHASE MANDATE

2.1 Purchase of Shares Under the Share Purchase Mandate

Any purchase or acquisition of Shares by the Company must be made in accordance with, and in the manner prescribed by the Companies Act, the Listing Manual, the Company’s New Constitution and such other laws and regulations as may for the time being be applicable.

LETTER TO SHAREHOLDERS

The Constitution of the Company provides that the Company may purchase or otherwise acquire its issued Shares subject to and in accordance with the Companies Act on such terms and conditions as the Company may in a general meeting prescribed. The Listing Manual provides that if the Company wishes to purchase or otherwise acquire its own shares, it should obtain the prior specific approval of Shareholders in a general meeting. Accordingly, approval is being sought from Shareholders at the FY2019 AGM for the proposed renewal of the Share Purchase Mandate for the proposed purchase or acquisition by the Company of its issued Shares. The resolution will be proposed as an ordinary resolution pursuant to which the proposed Share Purchase Mandate will be given to the Directors to exercise all powers on behalf of the Company to purchase or otherwise acquire its Shares in accordance with the terms of the proposed Share Purchase Mandate as well as the rules and regulations set forth in the Companies Act and the Listing Manual.

If approved by Shareholders at the FY2019 AGM, the authority conferred by the Share Purchase Mandate will continue in force until the date of the next AGM of the Company or the date by which such AGM is required by law to be held or the date on which purchases or acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated or when the authority conferred is revoked or varied in any general meeting of the Company, whichever is the earliest.

2.2 Rationale for the Share Purchase Mandate

The approval of the Share Purchase Mandate authorising the Company to purchase or acquire its Shares would give the Company the flexibility to undertake Share Purchases up to the 10% limit described in paragraph 2.3.1 (*Maximum number of Shares*) below at any time, during the period when the Share Purchase Mandate is in force.

The rationale for the Company to undertake the purchase or acquisition of its issued Shares is as follows:-

- (a) In managing the business of the Group, the management will strive to increase Shareholders' value by improving, *amongst others*, the ROE of the Group. In addition to the growth and expansion of the business, Share Purchases may be considered one of the ways the ROE of the Group may be enhanced.
- (b) In line with international practice, the Share Purchase Mandate will provide the Company with greater flexibility in managing its capital and maximising returns to Shareholders. To the extent that the Company has capital and sufficient funds, which are in excess of its working capital needs, taking into account its growth and expansion plans, the Share Purchase Mandate will facilitate the return of excess cash and surplus funds (if any) to Shareholders in an expedient, effective and cost-efficient manner.
- (c) The Share Purchase Mandate will provide the Company with the flexibility to undertake Share Purchases at any time, subject to market conditions and compliance with the Listing Manual, during the period when the Share Purchase Mandate is in force.
- (d) Share Purchases may help mitigate short-term market volatility, offset the effects of short-term speculation and bolster Shareholder confidence.

LETTER TO SHAREHOLDERS

- (e) The Share Purchase Mandate will accord greater flexibility to the Company in providing Shares to eligible employees under its future share-based incentive schemes, including but not limited to the existing MSE Performance Share Plan approved in the AGM on 20 April 2017. Subject to prevailing legislation, the Constitution of the Company, the Listing Manual and the rules of the relevant share-based incentive schemes, the Company has the discretion to either issue new Shares, deemed fully paid upon issuance and allotment, to eligible employees, or transfer existing Shares to such eligible employees (whether held as Treasury Shares or otherwise). Share Purchases can be held by the Company as Treasury Shares to satisfy the Company's obligation to furnish Shares to eligible employees under such share-based incentive schemes, thus giving the Company greater flexibility to select the method of providing Shares to eligible employees in a manner most beneficial to the Company and its Shareholders.

While the Share Purchase Mandate would authorise a purchase or acquisition of Shares up to the said 10% limit during the duration referred to in paragraph 2.3.2 (*Duration of Authority*) below, Shareholders should note that Share Purchases may not be carried out to the full 10% limit as authorised. In particular, Share Purchases would be made in circumstances which would or may have a material adverse effect on the financial position of the Company or the Group, or result in the Company being delisted from the SGX-ST. The Directors will use their best efforts to ensure that after a purchase or acquisition of Shares pursuant to the Share Purchase Mandate, the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or adversely affect the orderly trading and listing status of the Shares on the SGX-ST.

2.3 Authority and Limits on the Share Purchase Mandate

The authority and limitations placed on purchases or acquisitions of Shares by the Company under the proposed Share Purchase Mandate are summarised below:–

2.3.1 Maximum number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired pursuant to the Share Purchase Mandate is limited to that number of Shares representing not more than 10% of the total number of issued Shares outstanding (excluding Treasury Shares and subsidiary holdings) as at the date of the FY2019 AGM at which the Share Purchase Mandate is approved, unless the Company has, at any time during the Relevant Period, effected a reduction of its share capital in accordance with the applicable provisions under the Companies Act or a share consolidation, in which event the total number of Shares shall be taken to be the total number of Shares as altered by the capital reduction or the share consolidation. Any Shares which are held as Treasury Shares or held through subsidiary holdings (if any) will be disregarded for purposes of computing the 10% limit. “**Relevant Period**” in this paragraph shall mean the period commencing from the date on which the AGM is held and the resolution relating to the Share Purchase Mandate is passed and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier.

As at the Latest Practicable Date, the issued capital of the Company comprises 579,524,400 Shares (excluding Treasury Shares) and the Company does not have any subsidiary holdings.

LETTER TO SHAREHOLDERS

For illustrative purposes only, on the basis of 579,524,400 Shares (excluding Treasury Shares) in issue as at the Latest Practicable Date and assuming no further Shares are issued on or prior to the date of the FY2019 AGM, not more than 57,952,440 Shares (representing not more than 10% of the total number of issued Shares as at that date) may be purchased or acquired by the Company pursuant to the proposed Share Purchase Mandate during the duration referred to in paragraph 2.3.2 (*Duration of authority*) below.

2.3.2 Duration of Authority

Purchases or acquisitions of Shares pursuant to the proposed Share Purchase Mandate may be made, at any time and from time to time, on and from the date of the FY2019 AGM, at which the adoption of the Share Purchase Mandate is approved, up to the earlier of:–

- (a) the conclusion of the next AGM of the Company;
- (b) the date by which the next AGM is required by law to be held;
- (c) the date on which the purchases or acquisitions of Shares pursuant to the proposed Share Purchase Mandate are carried out to the full extent mandated; or
- (d) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by Shareholders in a general meeting.

The authority conferred on the Directors by the Share Purchase Mandate to purchase or acquire Shares may be renewed at the next AGM or at an EGM to be convened immediately after the conclusion or adjournment of the next AGM.

2.3.3 Manner of purchases or acquisitions of Shares

Purchases or acquisitions of Shares may be made by way of:–

- (a) on-market purchase(s) ("**Market Purchase**"), transacted on the SGX-ST through the ready market, through one (1) or more duly licensed stock brokers appointed by the Company for the purpose; and/or
- (b) off-market purchase(s) ("**Off-Market Purchase**") effected pursuant to an equal access scheme(s) as defined in Section 76C of the Companies Act.

The Directors may impose such terms and conditions which are consistent with the Share Purchase Mandate, the Listing Manual, the Companies Act and the Existing Constitution or the New Constitution (as the case may be), as they consider appropriate in the interests of the Company in connection with or in relation to any equal access scheme(s). An Off-Market Purchase must, however, satisfy all the following conditions:–

- (i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (ii) all of the abovementioned persons shall be given a reasonable opportunity to accept the offers made; and

LETTER TO SHAREHOLDERS

- (iii) the terms of all the offers shall be the same, except that there shall be disregarded:–
 - (a) differences in consideration attributable to the fact that offers may relate to shares with different accrued dividend entitlements;
 - (b) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid (if applicable); and
 - (c) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

Pursuant to the Listing Manual, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, the Company must, as required by the Listing Manual, issue an offer document to all Shareholders containing, *amongst others*, the following information:–

- (A) the terms and conditions of the offer;
- (B) the period and procedures for acceptances;
- (C) the reasons for the proposed purchase or acquisition of Shares;
- (D) the consequences, if any, of the purchase or acquisition of Shares by the Company that will arise under the Take-over Code or other applicable take-over rules;
- (E) whether the purchase or acquisition of Shares, if made, would have any effect on the listing of the Shares on the SGX-ST;
- (F) details of any purchases or acquisitions of Shares made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases of Shares, where relevant, and the total consideration paid for the purchases; and
- (G) whether the Shares purchased by the Company will be cancelled or, if permitted by the Company's New Constitution, held as Treasury Shares.

2.3.4 Purchase Price

The purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) to be paid for a Share will be determined by the Directors or a committee of Directors that may be constituted for the purposes of effecting purchases or acquisitions of Shares by the Company under the Share Purchase Mandate. However, the purchase price to be paid for the Shares pursuant to the purchases or acquisitions of the Shares must not exceed:–

- (a) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and
- (b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price or Highest Last Dealt Price of the Shares,

(the “**Maximum Price**”) in either case, excluding related expenses of the Share Purchase.

LETTER TO SHAREHOLDERS

For the above purposes:–

“Average Closing Price” means the average of the closing market prices of a Share for the five (5) consecutive Market Days on which the Shares are transacted on the SGX-ST immediately preceding the date of the Market Purchase by the Company and deemed to be adjusted in accordance with the Listing Manual for any corporate action which occurs after the relevant five (5) Market Days.

“Highest Last Dealt Price” means the highest price transacted for a Share as recorded on the SGX-ST on the Market Day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase.

“day of the making of the offer” means the day on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

2.4 Status of Purchased Shares

2.4.1 Cancellation

Any Shares which are purchased or acquired by the Company shall, unless held as Treasury Shares to the extent permitted under the Companies Act and the Company’s New Constitution, be deemed cancelled immediately on purchase or acquisition, and all rights and privileges attached to that Share will expire upon cancellation. Accordingly, the total number of Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as Treasury Shares.

All Shares purchased or acquired by the Company (other than Treasury Shares held by the Company to the extent permitted under the Companies Act and the Company’s New Constitution) will be automatically delisted by the SGX-ST, and certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following settlement of any such purchase or acquisition.

At the time of each purchase of Shares by the Company, the Directors will decide whether the Shares purchased will be cancelled or kept as Treasury Shares, or partly cancelled and partly kept as Treasury Shares, depending on the needs of the Company and as the Directors deem fit in the interest of the Company at that time.

2.4.2 Treasury Shares

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as Treasury Shares. Some of the provisions on Treasury Shares under the Companies Act are summarised below:–

(a) Maximum Holdings

The number of Shares held as Treasury Shares cannot at any time exceed 10% of the total number of issued Shares (the **“Treasury Shares Limit”**).

LETTER TO SHAREHOLDERS

(b) Voting and Other Rights

The Company cannot exercise any right in respect of Treasury Shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the Treasury Shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made to the Company in respect of Treasury Shares. However, the allotment of shares as fully paid bonus shares in respect of Treasury Shares is allowed. A subdivision or consolidation of any Treasury Share(s) into Treasury Shares of a smaller amount is also allowed so long as the total value of the Treasury Shares after the subdivision or consolidation is the same as before.

(c) Disposal and Cancellation

Where Shares are held as Treasury Shares, the Company may at any time:–

- (i) sell the Treasury Shares for cash;
- (ii) transfer the Treasury Shares for the purposes of or pursuant to a share-based incentive scheme;
- (iii) transfer the Treasury Shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (iv) cancel the Treasury Shares; or
- (v) sell, transfer or otherwise use the Treasury Shares for such other purposes as may be prescribed by the Minister for Finance.

Where Shares purchased pursuant to the Share Purchase Mandate are held as Treasury Shares, the number of such Shares to be held as Treasury Shares, when aggregated with the existing Treasury Shares held, shall not, subject to the Companies Act, exceed the Treasury Shares Limit at any time.

2.5 Reporting Requirements

2.5.1 SGX-ST

The Listing Manual specify that a listed company shall notify the SGX-ST of all purchases or acquisitions of its shares not later than 9.00 a.m.:–

- (a) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was made; and
- (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptance of the offer for the Off-Market Purchase.

LETTER TO SHAREHOLDERS

The notification of such purchases or acquisitions of Shares to the SGX-ST shall be in such form and shall include such details that the SGX-ST may prescribe. The Company shall make arrangements with its stockbrokers to ensure that they provide the Company, in a timely fashion, the necessary information which will enable the Company to make the notifications to the SGX-ST.

Under the Listing Manual, immediate announcement must be made of any sale, transfer, cancellation and/or use of Treasury Shares (in each case, the “usage”). Such announcement must include details such as the date of the usage, the purpose of the usage, the number of Treasury Shares comprised in the usage, the number of Treasury Shares before and after the usage, and the percentage of the number of Treasury Shares comprised in the usage against the total number of issued Shares (of the same class as the Treasury Shares) which are listed on the SGX-ST before and after the usage.

2.5.2 ACRA

Within 30 days of the passing of a Shareholders’ resolution to approve the purchase or acquisition of Shares by the Company, the Company shall lodge a copy of such resolution with ACRA.

Within 30 days of a purchase or acquisition of Shares on the SGX-ST or otherwise, the Company shall lodge with ACRA the notice of the purchase or acquisition in the prescribed form, such notification including, *amongst others*, the details of the purchase or acquisition, the total number of Shares purchased or acquired by the Company, the total number of Shares cancelled, the number of Shares held as Treasury Shares, the Company’s issued ordinary share capital before and after the Share Purchase, the amount of consideration paid by the Company for the purchase, and whether the Shares were purchased out of the profits or the capital of the Company.

Within 30 days of the cancellation or disposal of Treasury Shares in accordance with the provisions of the Companies Act, the Company shall lodge with ACRA the notice of cancellation or disposal of Treasury Shares in the prescribed form as required by ACRA.

2.6 Source of Funds

The Companies Act provides that any purchase or acquisition of shares by a company may be made out of the company’s capital or profits, so long as the company is solvent (as defined under paragraph 4.8 (*Solvency Test*) below). The Directors do not propose to exercise the Share Purchase Mandate in a manner and to such an extent that the working capital position and/or gearing of the Group would be materially adversely affected.

The Company intends to use internal sources of funds to finance purchases or acquisitions of its Shares. The amount of funding required for the Company to purchase or acquire its Shares and the financial impact on the Company and the Group arising from such Share Purchases will depend on, *amongst others*, the aggregate number of Shares purchased or acquired, the consideration paid at the relevant time and the amount (if any) borrowed by the Company to fund the purchases or acquisitions.

LETTER TO SHAREHOLDERS

2.7 Solvency Test

Under the Companies Act in force as at the Latest Practicable Date, we may not purchase or acquire Shares if we know that our Company is not solvent. For this purpose, a company is “solvent” if:–

- (a) the company is able to pay its debts in full at the time of the payment for the purchase or the acquisition and will be able to pay its debts as they fall due in the normal course of business during the period of 12 months immediately following the date of the payment; and
- (b) the value of the company’s assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the proposed purchase or acquisition become less than the value of its liabilities (including contingent liabilities), having regard to the most recent financial statements of the Company and all other circumstances that the Directors or managers of the Company know or ought to know affect, or may affect, such values.

2.8 Financial Effects

It is not possible for the Company to realistically calculate or quantify the impact of purchases or acquisitions that may be made pursuant to the Share Purchase Mandate on the financial effects as it would depend on factors such as the aggregate number of Shares purchased or acquired, the purchase prices paid at the relevant time, and the amount (if any) borrowed by the Company to fund the purchases, whether the purchase or acquisition is made out of profits or capital, and whether the Shares purchased are held in treasury or cancelled. The Company’s total number of issued Shares will be diminished by the total number of the Shares purchased by the Company and which are cancelled. The purchase price paid by the Company for the Shares, if made out of profits, such consideration (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the Share Purchase is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

The Directors do not propose to exercise the Share Purchase Mandate to such an extent that it would have a material adverse effect on the working capital position and/or gearing of the Group. The purchase of the Shares will only be effected after considering relevant factors such as the working capital requirement, availability of financial resources, the expansion and investment plans of the Group, and the prevailing market conditions.

For illustrative purposes only, the financial effects of the Share Purchase Mandate on the Company and the Group, based on the audited financial statements of the Group for the financial year ended 31 December 2019, are set out below based on the following assumptions:–

- (a) based on 579,524,400 Shares in issue as at the Latest Practicable Date and assuming no change in the number of Shares on or prior to the date of the FY2019 AGM and excluding Treasury Shares, such that not more than 57,952,440 Shares (representing not more than 10% of the total number of issued Shares as at that date) may be purchased or acquired by the Company pursuant to the Share Purchase Mandate;

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- (b) in the case of Market Purchases by the Company and assuming that the Company purchases or acquires 57,952,440 Shares at the Maximum Price of S\$0.0428 for one (1) Share, which is 5% above the Average Closing Price of the Shares for the five (5) consecutive Market Days on which the Shares were traded immediately preceding the Latest Practicable Date, the maximum amount of funds required for the purchase or acquisition of up to 57,952,440 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) under and during the duration of the Share Purchase Mandate, is approximately S\$2,483,000.
- (c) in the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 57,952,440 Shares at the Maximum Price of S\$0.050 for one (1) Share, which is 20% above the Highest Last Dealt Price, the maximum amount of funds required for the purchase or acquisition of up to 57,952,440 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) under and during the duration of the Share Purchase Mandate, is approximately S\$2,907,000.

For illustrative purposes only, and based on the assumptions set out in sub-paragraphs (a), (b) and (c) above and assuming that:

- (i) the purchase or acquisition of Shares is financed solely by internal sources of funds;
- (ii) the Share Purchase Mandate had been effective on 1 January 2020; and
- (iii) the Company had purchased or acquired 57,952,440 Shares (representing not more than 10% of the total number of issued Shares at the Latest Practicable Date) on the Latest Practicable Date.

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The financial effects of the purchase or acquisition of 57,952,440 Shares by the Company pursuant to the Share Purchase Mandate on the audited financial statements of the Group and the Company for the financial year ended 31 December 2019 are set out below:

Scenario A: Purchases made entirely out of capital and held as Treasury Shares

| (\$S'000) | Group | | | Company ⁵ | | |
|---|-----------------------------|--------------------|---------------------------|-----------------------------|--------------------|---------------------------|
| | After Share Purchase | | | After Share Purchase | | |
| | Before Share Purchase | Market Purchase | Off Market Purchase | Before Share Purchase | Market Purchase | Off Market Purchase |
| As at 31 December 2019 | | | | | | |
| Profit attributable to Owners of the Company | 501 | 501 | 501 | 4,550 | 4,550 | 4,550 |
| Share capital | 26,254 | 26,254 | 26,254 | 26,254 | 26,254 | 26,254 |
| Translation reserve | (1) | (1) | (1) | 4 | 4 | 4 |
| Retained Earnings | 29,001 | 29,001 | 29,001 | 28,695 | 28,695 | 28,695 |
| Capital reserve | (17) | (17) | (17) | (17) | (17) | (17) |
| Treasury Shares | (138) | (2,621) | (3,045) | (138) | (2,621) | (3,045) |
| Equity attributable to owners of the Company | 55,099 | 52,616 | 52,192 | 54,798 | 52,315 | 51,891 |
| Non Controlling Interests | 10 | 10 | 10 | – | – | – |
| Total equity | 55,109 | 52,626 | 52,202 | 54,798 | 52,315 | 51,891 |
| NTA | 55,109 | 52,626 | 52,202 | 54,798 | 52,315 | 51,891 |
| Current assets | 62,653 | 60,170 | 59,746 | 60,132 | 57,649 | 57,225 |
| Current liabilities | 20,911 | 20,911 | 20,911 | 21,556 | 21,556 | 21,556 |
| Working capital | 41,742 | 39,259 | 38,835 | 38,576 | 36,093 | 35,669 |
| Total borrowings | 497 | 497 | 497 | 497 | 497 | 497 |
| Number of Shares excluding Treasury Shares ('000) | 579,524 | 521,572 | 521,572 | 579,524 | 521,572 | 521,572 |
| Treasury shares ('000) | 2,022 | 59,974 | 59,974 | 2,022 | 59,974 | 59,974 |
| Financial Ratios | | | | | | |
| NTA per share (Cents) ¹ | 9.51 | 10.09 | 10.01 | 9.46 | 10.03 | 9.95 |
| Gearing (times) ² | 0.009 | 0.009 | 0.010 | 0.009 | 0.010 | 0.010 |
| Current ratio (times) | 3.00 | 2.87 | 2.86 | 2.79 | 2.67 | 2.65 |
| EPS (Cents) ³ | 0.09 | 0.10 | 0.10 | 0.79 | 0.87 | 0.87 |
| ROE (%) ⁴ | 0.91 | 0.95 | 0.96 | 8.30 | 8.70 | 8.77 |

Notes:

- (1) NTA per Share equals NTA divided by number of Shares
- (2) Gearing equals total borrowings divided by Shareholders' equity
- (3) For illustrative purposes, EPS is calculated based on the number of Shares as at Latest Practicable Date excluding Treasury Shares
- (4) ROE equals profit attributable to Owners of the Company divided by Equity attributable to owners of the Company
- (5) Company level includes Taiwan Mun Siong Engineering Branch's financial results

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Scenario B: Purchases made entirely out of capital and cancelled

| (\$S'000) | Group | | | Company ⁵ | | |
|---|-----------------------------|--------------------|---------------------------|-----------------------------|--------------------|---------------------------|
| | After Share Purchase | | | After Share Purchase | | |
| | Before Share Purchase | Market Purchase | Off Market Purchase | Before Share Purchase | Market Purchase | Off Market Purchase |
| As at 31 December 2019 | | | | | | |
| Profit attributable to Owners of the Company | 501 | 501 | 501 | 4,550 | 4,550 | 4,550 |
| Share capital | 26,254 | 23,633 | 23,209 | 26,254 | 23,633 | 23,209 |
| Translation reserve | (1) | (1) | (1) | 4 | 4 | 4 |
| Retained Earnings | 29,001 | 29,001 | 29,001 | 28,695 | 28,695 | 28,695 |
| Capital reserves | (17) | (17) | (17) | (17) | (17) | (17) |
| Treasury Shares | (138) | – | – | (138) | – | – |
| Equity attributable to owners of the Company | 55,099 | 52,616 | 52,192 | 54,798 | 52,315 | 51,891 |
| Non Controlling Interests | 10 | 10 | 10 | – | – | – |
| Total equity | 55,109 | 52,626 | 52,202 | 54,798 | 52,315 | 51,891 |
| NTA | 55,109 | 52,626 | 52,202 | 54,798 | 52,315 | 51,891 |
| Current assets | 62,653 | 60,170 | 59,746 | 60,132 | 57,649 | 57,225 |
| Current liabilities | 20,911 | 20,911 | 20,911 | 21,556 | 21,556 | 21,556 |
| Working capital | 41,742 | 39,259 | 38,835 | 38,576 | 36,093 | 35,669 |
| Total borrowings | 497 | 497 | 497 | 497 | 497 | 497 |
| Number of Shares excluding Treasury Shares ('000) | 579,524 | 521,572 | 521,572 | 579,524 | 521,572 | 521,572 |
| Treasury shares ('000) | 2,022 | – | – | 2,022 | – | – |
| Financial Ratios | | | | | | |
| NTA per share (Cents) ¹ | 9.51 | 10.09 | 10.01 | 9.46 | 10.03 | 9.95 |
| Gearing (times) ² | 0.009 | 0.009 | 0.010 | 0.009 | 0.010 | 0.010 |
| Current ratio (times) | 3.00 | 2.87 | 2.86 | 2.79 | 2.67 | 2.65 |
| EPS (Cents) ³ | 0.09 | 0.10 | 0.10 | 0.79 | 0.87 | 0.87 |
| ROE (%) ⁴ | 0.91 | 0.95 | 0.96 | 8.30 | 8.70 | 8.77 |

Notes:

- (1) NTA per Share equals NTA divided by number of Shares
- (2) Gearing equals total borrowings divided by Shareholders' equity
- (3) For illustrative purposes, EPS is calculated based on the number of Shares as at Latest Practicable Date excluding Treasury Shares
- (4) ROE equals profit attributable to Owners of the Company divided by Equity attributable to owners of the Company
- (5) Company level includes Taiwan Mun Siong Engineering Branch's financial results

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Shareholders should note that the financial effects set out above are for illustrative purposes only. In particular, it is important to note that the above analysis is based on historical audited financial statements for the financial year ended 31 December 2019 and is not necessarily representative of future financial performance.

Although the Share Purchase Mandate would authorise the Company to purchase or acquire up to 10% of the issued Shares (excluding Treasury Shares), the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of the issued Shares (excluding Treasury Shares). In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased as Treasury Shares.

2.9 Take-over Implications

Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below.

2.9.1 Obligation to make a take-over offer

If, as a result of any purchase or acquisition by the Company of the Shares, the proportionate interest in the voting capital of the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. Consequently, a Shareholder or a group of Shareholders acting in concert with a director could obtain or consolidate effective control of the Company and become obliged to make an offer under Rule 14 of the Take-over Code.

2.9.2 Persons acting in concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of the company.

Unless the contrary is established, the following persons, *amongst others*, will be presumed to be acting in concert, namely:–

- (a) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the foregoing companies, any company whose associated companies include any of the foregoing companies, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing companies for the purchase of voting rights;
- (b) a company with any of its directors, together with their close relatives, related trusts and any companies controlled by any of the directors, their close relatives and related trusts; and
- (c) an individual, his close relatives, his related trusts, any person who is accustomed to act according to his instructions, companies controlled by any of the foregoing persons and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing persons and/or entities for the purchase of voting rights.

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For this purpose, ownership or control of at least 20% but not more than 50% of the voting rights of a company will be regarded as the test of associated company status.

The circumstances under which Shareholders, including directors and persons acting in concert with them respectively, will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

2.9.3 Effect of Rule 14 and Appendix 2 of the Take-over Code

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring the Shares, the voting rights of such directors and their concert parties would increase to 30% or more, or in the event that such directors and their concert parties hold between 30% and 50% of the Company's voting rights, the voting rights of such directors and their concert parties would increase by more than 1% in any period of six (6) months. In calculating the percentages of voting rights by such directors and their concert parties, Treasury Shares shall be excluded.

Under Appendix 2 of the Take-over Code, a Shareholder who is not acting in concert with the directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company buying back its own Shares, the voting rights of such Shareholder will increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate.

Based on the shareholdings of the Directors in the Company as at the Latest Practicable Date, none of the Directors will become obligated to make a mandatory offer by reason only of the buying back of 10% of the Shares by the Company pursuant to the Share Purchase Mandate.

The directors are not aware of any Shareholder or group of Shareholders acting in concert who may become obligated to make a mandatory offer in the event that the directors exercise the power to repurchase Shares pursuant to the Share Purchase Mandate.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of Share Purchase by the Company are advised to consult their professional advisers and/or the Securities Industry Council and/or other relevant authorities at the earliest opportunity.

3 LISTING RULES

While the Listing Manual does not expressly prohibit the purchase of shares by a listed company during any particular time or times, the listed company would be considered an "insider" in relation to any proposed purchase or acquisition of its issued shares. In this regard, the Company will not purchase any Shares pursuant to the Share Purchase Mandate after a price-sensitive development has occurred or has been the subject of a consideration and/or a decision of the board of directors of the Company until such time as the price-sensitive information has been publicly announced. In particular, the Company will

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not purchase or acquire any Shares through Market Purchases and/or Off-Market Purchases during the following periods and at all times in compliance with Rule 1207(19) of the Listing Manual:–

- (a) one (1) month immediately preceding the announcement of the Company's annual results; and
- (b) two (2) weeks immediately preceding the announcement of the Company's results for each of the first three (3) quarters or half yearly of its financial year.

The Company is required under Rule 723 of the Listing Manual to ensure that at least 10% of its Shares are in the hands of the public. The "public", as defined under the Listing Manual, are persons other than the directors, chief executive officer, substantial shareholders or controlling shareholders of a company and its subsidiaries, as well as the associates of such persons.

Based on the register of Directors' shareholdings and the register of Substantial Shareholders maintained by the Company as at the Latest Practicable Date, approximately 169,776,600 Shares, representing 29.3% of the total number of issued Shares (excluding Treasury Shares), are in the hands of the public. Assuming that the Company purchases its Shares through Market Purchases up to the full 10% limit pursuant to the Share Purchase Mandate, the number of Shares in the hands of the public would be reduced to 111,824,160 Shares, representing 21.4% of the reduced total number of issued Shares (excluding Treasury Shares) of the Company. Accordingly, the Company is of the view that there is a sufficient number of issued Shares held in the hands of the public which would permit the Company to undertake purchases or acquisitions of its Shares to the full 10% limit pursuant to the proposed Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity.

In undertaking any purchases or acquisitions of Shares through Market Purchases, the Directors will use their best efforts to ensure that, notwithstanding such purchases, a sufficient float in the hands of the public will be maintained so that the purchases or acquisitions of Shares will not adversely affect the listing status of the Shares on the SGX-ST, cause market illiquidity or adversely affect the orderly trading of the Shares.

4 PREVIOUS SHARE PURCHASES

In the last 12 months preceding the Latest Practicable Date, the Company did not acquire any Shares through Market Purchases pursuant to the share purchase mandate renewed at the AGM held on 23 April 2019.

5 INTERESTED PERSONS

The Company is prohibited from knowingly buying Shares on the SGX-ST from an interested person, that is, a Director, the chief executive officer of the Company or Substantial Shareholder of the Company or any of their associates, and an interested person is prohibited from knowingly selling his Shares to the Company.

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6 DIRECTORS' AND SUBSTANTIAL SHAREHOLDER'S INTERESTS

6.1 Interests of Directors and Substantial Shareholders

Assuming (a) the Company purchases the maximum number of 10% of the issued Shares of the Company as at the Latest Practicable Date; and (b) there is no change in the number of Shares held or deemed to be held by the Directors and Substantial Shareholders, based on the Register of Directors' Shareholdings of the Company and the Register of Substantial Shareholders of the Company maintained pursuant to Section 164 and Section 88 of the Companies Act respectively, as at the Latest Practicable Date, the shareholdings of the Directors and the Substantial Shareholder before and after the purchase of Shares were/will be as follows:–

| | Before the Share Purchase (as at Latest Practicable Date) | | After Share Purchase | |
|---|--|------------|---|---|
| | Number of Shares | | Total Percentage Interest (%) ⁽¹⁾ | Total Percentage Interest (%) ⁽¹⁾ |
| | Direct | Deemed | | |
| Directors | | | | |
| Cheng Woei Fen | 278,997,600 | 36,167,400 | 54.38 | 60.43 |
| Quek Kian Hui | 86,376,800 | – | 14.90 | 16.56 |
| David Tan Chao Hsiung | – | – | – | – |
| Peter Sim Swee Yam | 140,000 | – | 0.02 | 0.03 |
| Lau Teik Soon | – | – | – | – |
| Mah Kai Leong [#] | – | – | – | – |
| Substantial Shareholder (other than Directors) | | | | |
| Gabriel Quek Kian Teck | 33,516,000 | – | 5.78 | 6.43 |

[#] appointed on 4 March 2020

Notes:

(1) Based on 579,524,400 Shares excluding Treasury Shares before the Share Purchase and 521,571,960 Shares excluding Treasury Shares after the Share Purchase.

Save as disclosed above, none of the Directors and Substantial Shareholder or their respective Associates have any interest, direct or indirect, in the proposed renewal of the Share Purchase Mandate.

6.2 Limits on shareholdings

The Company does not have any limits on the shareholding of any Shareholder.

7 DIRECTORS' RECOMMENDATIONS

The Directors, having fully considered the rationale for the Share Purchase Mandate, are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of the ordinary resolution relating to the proposed renewal of the Share Purchase Mandate to be proposed at the FY2019 AGM.

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8 ANNUAL GENERAL MEETING

The FY2019 AGM, notice of which is enclosed with the Annual Report will be held on Thursday, 30 April 2020 at 3.00 pm in The Theatrette, 1st Floor, Trade Association Hub, 9 Jurong Town Hall Road, Jurong Town Hall, Singapore 609431, for the purpose of considering and, if thought fit, passing the resolutions set out in the Notice of the AGM.

9 APPROVALS AND RESOLUTIONS

Shareholders' approval for the proposed renewal of the Share Purchase Mandate is sought at the FY2019 AGM. The respective resolutions relating to each of the proposed renewal of the Share Purchase Mandate is contained in the Notice of AGM as Ordinary Resolution 9 respectively.

10 DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Addendum and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Addendum constitutes full and true disclosure of all material facts about the proposed renewal of the Share Purchase Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Addendum misleading.

Where information in this Addendum 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 Addendum in its proper form and context.

11 DOCUMENTS FOR INSPECTION

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

- (a) the Constitution of the Company;
- (b) the Annual Report of the Company for FY2019.

Yours faithfully
For and on behalf of the Board of Directors

MUN SIONG ENGINEERING LIMITED

Cheng Woei Fen
Executive Chairlady

