



MUN SIONG ENGINEERING LIMITED
(Company Registration Number: 196900250M)
(Incorporated in the Republic of Singapore)

**UPDATE ON THE INVESTIGATION BY THE MINISTRY OF JUSTICE INVESTIGATION BUREAU (TAIWAN)
AND CALL FOR THE RETURN OF BID DEPOSITS BY TAIWAN CPC CORPORATION**

The Board of directors (the “**Board**”) of Mun Siong Engineering Limited (the “**Company**” and together with its related companies, the “**Group**”) wishes to inform shareholders that the Company’s Branch office in Kaohsiung, Taiwan (“**Branch Office**”) has received two letters (dated 15th June 2022 and 16th June 2022) from Taiwan CPC Corporation (“**CPC**”) (collectively the “**Letters**”). Copies of these letters were received by the Branch Office on 16th June 2022 and 17th June 2022 respectively.

Update on the Investigation by the Ministry of Justice Investigation Bureau (Taiwan) and CPC requesting for the return of Bid Deposits

CPC, a State-Owned company, has expressed in the Letters to our Branch Office that they are demanding their rights in accordance with the Taiwan Procurement Act for the return of the entire bid deposits relating to the two Integrated Turnaround projects undertaken by the Branch Office in 2019 and 2021.

In relation to the first Integrated Turnaround project awarded (dated 11th June 2019) and completed in 2019, CPC has asked for the return of the entire bid deposit of TWD 2.29 million (equivalent to approximately S\$107,300 based on the exchange rate of S\$1 to TWD 21.3452) by 30th June 2022. In relation to the second Integrated Turnaround project awarded (dated 26th March 2021) and completed in 2021, CPC has asked for the return of the entire bid deposit of TWD 1.08 million (equivalent to approximately S\$51,000 based on an exchange rate of S\$1 to TWD21.3452) by 15th July 2022. In aggregate, CPC is demanding that TWD 3.37 million (equivalent to S\$158,300) to be returned.

The call for the return of the above bid deposits was due to the alleged violation of the above Taiwan laws and regulations as CPC is a State-Owned company. The alleged violation arises from an investigation by the prosecutors of the Qiaotou District Prosecutor’s Office in Kaohsiung, Taiwan on an individual. This individual was engaged by the Branch Office as a consultant (the “**Consultant**”). Messrs. Chen & Lin Attorneys-at-Law (“**Legal Counsel**”), whom the Group has retained since 14th

April 2021 to provide legal assistance, understand from the Prosecutor's press release (dated 25th May 2022) that the Consultant had allegedly paid bribes to certain employees within CPC relating to the above two Integrated Turnaround projects. Our Legal Counsel also understands that the Consultant has now been indicted on bribery charges in Taiwan.

In our contract agreement with the Consultant, we have a specific clause indicating that the Consultant must not engage in illegal activities (bribery and corruption) as the Group has zero tolerance for bribery and corruption. Under the consultancy contract between the Branch Office and the Consultant, the Consultant was appointed solely to identify business opportunities and assist in sourcing for subcontractors. The role of the Consultant is limited as aforesaid, and decisions on whether to pursue these opportunities and on the engagement of subcontractors are made at the discretion of the Singapore management team. Besides, subcontractors referred to us by the Consultant, the Branch Office had also on its own sourced and engaged subcontractors. The engagement of the subcontractors that were referred by the Consultant were based on the Branch Office's terms and conditions, and payments (supported by Valued Added Tax invoices) were made directly to the subcontractors.

On 20th June 2022, the Branch Office has replied separately to CPC in response to the above Letters, denying the return of the bid deposits as the above two projects were duly awarded to the Branch Office through proper tender process via competitive bids with other competitors. Furthermore, the Consultant (on alleged bribes charge) is not an employee of the Branch Office.

The Branch Office has on 30th May 2022 terminated the consultancy contract with the Consultant. As at the date of the termination, save for the two long term CPC maintenance contracts, the Branch Office has no new or outstanding tenders that were referred by the Consultant. For these two long term CPC maintenance contracts, they were referred to the Branch Office by the Consultant. The two contracts were entered with CPC on 25th November 2020 and 29th June 2021 respectively. With the above termination, the Consultant will not be involved in these two ongoing contracts.

Background information:

Between 2019 and to-date, the Branch Office was pre-qualified to participate in six open tenders that CPC had called for. The Branch Office was successful in securing three of these bids. The three successful bids were for Integrated Turnaround works at CPC Talin Refinery RFCC Unit, Kaohsiung City (2019 and 2021) and CPC Taoyuan Refinery RDS2 Unit, Taoyuan City (2021). These works were successfully completed, and works were accepted by CPC.

On 13th April 2021, the Branch Office had received a request from the Ministry of Justice Investigation Bureau (Taiwan) to make available records and documents pursuant to an on-going investigation, in which the nature of the investigation was not disclosed to the Company nor the Branch Office. The records and documents were mainly relating to tenders or jobs that the Branch Office had undertaken, and services rendered by certain suppliers, and that the Branch Office had duly complied with such request. (See the Company's Announcement dated 14th April 2021).

In a further update, the Company had disclosed in its 1st half results 2021 dated 5th August 2021 and Annual Report 2021 on page 34 that “during the year, the Taiwan Branch Office (established in March 2019) received a request from the Ministry of Justice Investigation Bureau to assist in their investigation. The Branch Office has complied with the request. We understand from an employee who was interviewed (on 14th July 2021) by the Ministry of Justice Investigation Bureau that the subject of the investigation was on a former employee (non-management staff), who had resigned on his own accord in April 2020”. Since the last interview conducted by the Ministry of Justice Investigation Bureau on 14th July 2021, there were no new developments from them. During the course of their investigation, the Branch Office was not asked nor provide any documents to the Ministry of Justice Investigation Bureau pertaining to the Consultant.

Company’s response:

The Company wishes to state that it has not, whether directly or indirectly, paid any bribes to any party to procure any contracts whether in Taiwan or anywhere else, and that it does not condone any corrupt practices by any of its employees, representatives, agents or consultants. **Accordingly, the Company denies the allegations made by CPC in the Letters and will therefore not return the bid deposits as demanded. In this regard, the Company has sought legal advice from our Legal Counsel and has challenged CPC’s call for the return of the bid deposits. The Company also wishes to state that the Company, including its officers, have not been named in any indictment nor been informed that it is the subject of investigations by any prosecutorial authority in relation to the above allegations.**

The Group has in place an “Anti-Bribery and Corruption” Policy in which the Group is committed to conducting our business and operations in an honest and ethical manner. A whistleblower mechanism is also in place. Our employee handbook has a Confidentiality and Code of Conduct (including gross misconduct on corruption) section which our employees must adhere to. The Branch Office’s finance (accounting and treasury) and project management functions are supported by the Singapore operations. The Group Human Resource department will be conducting training sessions to remind all employees across the Group to adhere to the Code of Conduct.

As part of the Internal Audit cycle, the Internal Auditors is scheduled to perform an internal audit on the Branch Office in FY2022 where they will review and provide recommendations to enhance existing tender and procurement policies, where necessary.

Impact on the financial statement:

The total bid deposits that CPC is demanding to be returned is approximately S\$158,300. This represents 0.29% of the Group’s shareholders’ fund as at 31st December 2021. The Company has challenged CPC’s request and resisted the payment demands. This is even though the Company has sufficient financial resources to meet this obligation, as mentioned above.

Notwithstanding that the Company will not refund the bid deposits as demanded, for reasons of prudence, the Company will make the necessary provision in its financial statement for the entire

amount. This will be reflected in the Group's first half financial statements ending 30th June 2022. As at the date of this announcement, the Group has yet to complete its six months' financial period. In the event that the provision is material, an appropriate guidance will be made on the SGX-ST accordingly.

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

21st June 2022