



**MUN SIONG ENGINEERING LIMITED**

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

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**UPDATE OF DEVELOPMENTS – MALAYSIA AND TAIWAN OPERATIONS**

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The Board of Directors ("**Directors**" or "**Board**") of Mun Siong Engineering Limited (the "**Company**"), together with its subsidiaries and associated companies, (the "**Group**") wishes to provide an update to shareholders following the performance guidance dated 3 November 2022.

Malaysia operations:

In FY2021, the impairment loss for trade receivables was deemed necessary on amounts due from Highbase Strategic Sdn Bhd ("Highbase") – local partner to the Worldwide Master Service Agreement for Integrated Turnaround and Maintenance Mechanical Static awarded by Petroliam Nasional Berhad ("Petronas") and 51% shareholder of HIMS Integrated Services Sdn Bhd ("HIMS"). The Company owns the remaining 49% equity in HIMS. The total impairment loss for trade receivables amounted to RM 2.3 million (or S\$ 0.7 million) as at 30 June 2022.

In our Q12022 announcement dated 15 May 2022, Pegasus Advance Engineering Sdn Bhd ("PAE M") (an associate company of the Group) commenced legal actions in the Malaysian court to recover the above amount owing by Highbase (the ultimate debtor) through HIMS (the intermediate debtor). These were work orders received from Petronas and were subcontracted by Highbase to PAE M through HIMS. PAE M had completed these work orders and sales invoices issued. PAE M's claims against HIMS, resulting in impairment in trade receivables in HIMS' FY2021 accounts substantially exceeded its shareholder's funds.

Since Q32022, Highbase made a series of payments to PAE M via HIMS. At the date of this announcement, PAE M has recovered the full sum of the amount owing of RM2.3 million.

From Q42021 to 1H2022, PAE M also completed work orders issued by Petronas to Highbase amounting to RM4.7 million (or S\$1.4 million). PAE M held back invoicing for these completed work orders pending clarification with Highbase on how payment was to be effected taking into account that Highbase was to hold collections for the benefit of PAE M. Being prudent, PAE M made an impairment of RM4.7 million in FY2021, a significant portion of its contract assets.

For the contract assets of RM4.7 million, we are being or to be paid based on assignment and other documents signed by Highbase to enable direct payment by Petronas. At the date of this announcement, we have received RM1.1 million (or S\$0.3 million). The balance sum of RM3.6 million (or S\$1.1 million), is pending final approval and direct payment from Petronas to HIMS.

The total amounts (as per above) received by PAE M – amounting to RM 3.4 million (or S\$1.0 million)

will be written back during 2H2022 and it will have a material positive impact on the financial performance of the Group for FY2022.

Since 1 April 2022, Petronas has issued work orders directly to HIMS and work is subcontracted out to PAE M. PAE M has received payments for these completed work orders. Under the HIMS shareholders agreement, Company has been afforded joint management control (eg bank account).

Taiwan operations:

#### Finalisation of CPC Kaohsiung Turnaround Project

At the date of this announcement, CPC Kaohsiung and the Taiwan Branch Office have agreed on the final billing for the CPC Kaohsiung Turnaround project completed at the end of January 2022. The revenue arising from this project which we had recognised up to 30 September 2022 was S\$17.1 million (or representing 89.3% of the final agreed contract value). In line with Singapore Financial Reporting Standards (SFRS), all costs incurred to date had been recognised. The remaining 10.7%, substantially project profit, will be recognised in FY2022 as revenue.

#### Update on the Taiwan Investigation – outcome of the appeal from the Public Construction Commission

For details, please refer to announcements made by the Group on 21 June 2022, 12 July 2022 and 3 November 2022. Total penalties (amounting to TWD3.8 million) and refund of bid deposits (amounting to TWD3.37 million), totalling TWD 7.17 million (SGD342,000) were fully provided for in June 2022.

Our Taiwan legal counsel, Chen & Lin Attorneys-at-law (“Taiwan Legal Counsel”) submitted an appeal to the Public Construction Commission (“PCC”), addressing our objections on CPC’s demand for the refund of bid deposits, totalling TWD3.37 million as well as the 3 years suspension during which the Branch will not be allowed to participate in government contracts under the Government Procurement Act of Taiwan.

At the date of this announcement, PCC gave its final decision and replied to our Taiwan Legal Counsel. Please refer to table below for a summary of the PCC’s decision.

	CPC Talin Integrated Turnaround Project	CPC Taoyuan Project
Bid Deposit -TWD3.37 million	Ruled in CPC’s favour (TWD 2.29 million deducted by CPC)	Ruled in Taiwan Branch’s favour (TWD 1.08 million –Taiwan Branch doesn’t have to pay)
3 years suspension	Ruled in CPC’s Favour – 3 years suspension (concurrent) commencing December 2022 from bidding Government contracts	

For the Taoyuan Project, PCC ruled in our favour as the alleged bribery occurred after the project was properly awarded to the Taiwan Branch. Hence, CPC has no right to claim the bid deposit from the Taiwan Branch. It should be noted that CPC cannot object to PCC’s final decision.

However, for the remaining charges in which PCC ruled in CPC’s favour- PCC had deemed the consultant as an agent of the Taiwan Branch and the Taiwan Branch is liable for the consultant’s actions. The Branch office can appeal to the Taiwan administrative court

As for the total penalties amount of TWD3.8 million, on 8 August 2022, CPC deducted the penalty amount of TWD3.0 million (for the CPC Talin Integrated Turnaround project) from one of the existing CPC jobs. In November 2022, CPC deducted the penalty amount of TWD0.8 million from the CPC Kaohsiung Turnaround project (as per above). The Branch office can appeal to the Taiwan civil court.

After discussion with Taiwan Legal Counsel, considering PCC's explanation and decision and the costs to be incurred, the Group decided not to appeal further to the Taiwan civil and administrative courts.

The Taiwan Legal Counsel has provided legal guidance to the Board. To minimize the impact on the business, we have incorporated a wholly owned subsidiary Pegasus Advance Industrial Company Limited ("PAI"), please refer to announcement dated 20 October 2022. PAI is currently establishing a workshop facility in Kaohsiung to offer fabrication and hydro jetting services.

**Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company. 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  
22 December 2022