



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

ANNOUNCEMENT PURSUANT TO RULE 706A OF THE SGX-ST LISTING MANUAL

Pursuant to Rule 706A of the Listing Manual of Singapore Exchange Securities Trading Limited, Mun Siong Engineering Limited ("**Company**"), together with its related companies (the "**Group**") wishes to announce the following transactions that occurred for the period from 1 July 2022 to 31 December 2022:

(A) Capitalization of Pegasus Industrial Midwest Limited Liability Company ("PIM LLC")

The Company's shareholders at the Extraordinary General Meeting on 5 August 2022 approved the capitalization of PIM LLC (a wholly owned indirect subsidiary incorporated on 6 May 2022 in the State of Illinois, USA) of USD 6.0 million, through the subscription of 6,000,000 new units in its paid-up share capital, and up to USD1.5 million interest bearing loans from the Company. The latter to be drawn to meet short term working capital needs of PIM LLC. As disclosed in the Circular -Proposed Investment in PIM LLC dated 20 July 2022 ("Circular"), reliance on this facility is short term and will be reduced once PIM LLC accumulates retained earnings. The former was undertaken in the following manner:

- i. By means of a capital contribution, Pegasus Advance Engineering Pte Ltd ("PAE S") increased its investment in Pegasus Advance Engineering (Netherlands) BV ("PAE Netherlands") by USD1.99 million. For the capital contribution, we have used the share premium approach to increase the share equity instead of capital shares issuance. The former approach is allowed in Netherlands and is simpler and cost effective. There is no change in the equity interest of PAE Netherlands. The proceeds from the capital contribution are utilized for subscription of new common stock in Pegasus Advance Engineering (US) Inc ("PAE US"). PAE Netherlands share equity increased to USD2.0 million.
- ii. PAE Netherlands increased its investment in PAE US by USD1.99 million, subscribing for 1.99 million new common stock in PAE US paid-up share capital. There is no change in the equity interest of PAE US. The proceeds from the issuance of new common stock are utilized for subscription of new share capital units in PIM LLC. PAE US shareholder's fund increased to USD2.0 million.
- iii. PAE US injected USD5.5 million (equivalent to \$7.7 million) (funded from the capital injection mentioned in (ii) and intercompany loans extended by the Company – the ultimate holding company) as share capital in PIM LLC by subscribing for 5.5 million share capital units in PIM LLC. The proceeds from the issuance of share capital are utilized for the acquisition of land and building, operating assets and working capital and the usage is in line with the Circular. As at 31 December 2022, PIM LLC's paid up capital is USD5.5 million. There is an uncalled capital of USD0.5 million in which the Group will inject into PIM LLC in the first half of 2023.

Please refer to the Circular (paragraphs 2.1 and 3.1) on the rationale for adopting the group structure (refer to Appendix of this announcement) relating to the investment in PIM LLC.

Concurrently, the Company has extended an interest bearing inter-company loan to PAE US (the ultimate borrower), PAE S and PAE Netherlands (collectively "the intermediate borrowers"). As at 31 December 2022, the total amount of the interest bearing inter-company loans are USD3.5

million (equivalent to \$4.7 million). PAE US, utilized the loans to subscribe for new share capital units in the paid-up share capital of PIM LLC. PIM LLC capitalization will be USD6.0 million.

Please refer to the Circular (paragraph 1.1) for the details on the applications of funds by PIM LLC.

(B) Incorporation of wholly owned subsidiary Pegasus Advance Industrial Company Limited ("PAI")

The Company had set up PAI with a paid up capital of TWD30,000,000 (equivalent to \$1.4 million). The proceeds will be deployed as working capital. PAI will be providing hydro jetting and fabrication services to our Taiwan business partners. Please refer to announcement dated 20 October 2022 for more details.

The above investments, subscriptions and inter-company loans were funded through internal resources and do not have any material impact on the consolidated net tangible assets and earnings per share of the Group for the current financial year ended 31 December 2022.

(C) Completion of divestment of 80% equity interest in Pegasus Advance Engineering Co Ltd ("PAE Myanmar")

On 18 November 2022, the Company, through its wholly owned subsidiary, PAE S, entered into a shares transfer agreement, to divest its entire 80% equity interest in PAE Myanmar to our local business partners. Our local business partners, collectively, has a 20% equity interest in PAE Myanmar. Prior to the completion of the transfer of PAE Myanmar, PAE Myanmar had undergone a company name change (the new company name was designated by the local business partners) as the Group did not allow the local partners to use the existing company name. The disposal consideration was at a nominal value of USD1 in which the Group recognised a divestment loss of less than \$500 in FY2022. The consideration was arrived at on a willing buyer and willing seller basis, taking into consideration PAE Myanmar having a deficit shareholders' funds and an inactive company. The share transfer was completed on 30 November 2022.

The divestment does not have any material impact on the consolidated net tangible assets and earnings per share of the Group for the current financial year ended 31 December 2022.

None of the Directors or Substantial Shareholders of the Company have any interest, direct or indirect in the above transactions other than their shareholdings interest in the Company.

By Order of the Board

Cheng Woei Fen
Executive Chairlady

28 February 2023

Appendix: Structure Ownership of PIM LLC

