Hiap Seng Engineering Ltd

ENGINEERING RESILIENCE

Annual Report 2018

OUR VISION

To be the preferred Service Provider in plant design, fabrication & construction and maintenance to the process industries in Singapore, and beyond.

OUR MISSION

To deliver efficient, reliable and quality products and services to customers in a safe and timely manner, maximum returns to shareholders and a rewarding work environment to employees.

OUR CORE VALUES

Courage, determination and great teamwork are the foundations for our success.

CONTENT

ABOUT
THE GROUP

We are one of the leading integrated service providers of mechanical engineering, plant fabrication & installation and plant maintenance to the oil-and-gas (serving both upstream exploration and production as well as downstream refinery and storage), petrochemical and pharmaceutical industries in Singapore, Asia Pacific and other regions. We are dedicated to providing our clients with efficient, reliable and quality products and services.

CONSTRUCTION

Mechanical Construction of Oil-and-Gas Plants, Oil Storage Terminals & Pharmaceutical Plants

PLANT MAINTENANCE

Oil-and-Gas, Chemical & Utility Plant Maintenance

EPC

Process Equipment, Gas Compressors, FPSO Topsides & Tank farms

CHAIRMAN'S STATEMENT

The Group will also be making investments in automating processes and machinery to reduce reliance on foreign workers and improve our productivity and quality of work. With continued tight labour market and rising costs, the Group will stay vigilant in monitoring its operating costs, increase productivity and ensure its projects are profitable.

TAN AH LAM, FRANKIE
EXECUTIVE CHAIRMAN

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I would like to present to you our annual report for the financial year ended 31 March 2018 ("FY2018").

FINANCIAL REVIEW

FY2018 was another tough year for the Group as well as the sector. The intense competition arising from the low demand of services for the oil-and-gas industry and higher than expected operating costs impacted the Group's business and financial performance. The Group's revenue dipped by 31% to S$109.4 million in FY2018 from S$158.5 million in FY2017. Also, the higher than expected operating costs incurred during the year resulted in a decline of the gross profit by 84.2% to S$3.0 million in FY2018 from S$19.1 million in FY2017. This coupled with an impairment of goodwill of S$4.4 million for the Group's operations in Thailand, contributed to the Group's net loss attributable to shareholders of S$18.9 million in FY2018 as compared to a profit of S$2.5 million in FY2017.

SEGMENTAL CONTRIBUTIONS

Revenue for the plant construction and maintenance segment decreased from S$150.3 million in FY2017 to S$101.8 million in FY2018, largely attributable to the lower recognition of project revenue. Loss before tax for this segment amounted to S$14.1 million in FY2018 as compared to a profit of S$7.2 million in FY2017 mainly due to lower revenue, higher than expected operating costs and an impairment of goodwill of S$4.4 million for the segment's operations in Thailand,

Revenue for the compression and process equipment fabrication segment decreased from S$8.2 million in FY2017 to S$7.6 million in FY2018 due to the slowdown in business activities in the segment amid the prolonged downturn in the offshore sector. However, loss before tax for this segment decreased from S$5.7 million for FY2017 to S$4.9 million for FY2018 mainly due to lower operating costs.

Geographically, our operations in UAE which were set up in FY2018, contributed a maiden revenue of S$3.5 million to our Group revenue. The Group also reported an increase in revenue from Vietnam and Thailand. However, revenue from Singapore and other markets declined mainly due to the lower recognition of project revenue for FY2018.

FINANCIAL POSITION REVIEW

The Group's shareholders' funds decreased by S$19.5 million, from S$62.2 million or 20.5 cents per share as at 31 March 2017, to S$42.8 million or 14.1 cents per share as at 31 March 2018.

Hiap Seng's current assets decreased marginally to S$65.2 million as at 31 March 2018 from S$65.8 million as at 31 March 2017. However, current liabilities increased to S$47.8 million as at 31 March 2018, from S$30.7 million as at 31 March 2017. As a result, current ratio declined from 2.15 as at 31 March 2017 to 1.37 as at 31 March 2018.

The Group's non-current assets decreased to S$26.7 million as at 31 March 2018, from S$28.8 million as at 31 March 2017. This was largely a result of an impairment of goodwill of S$4.4 million for FY2018.

Hiap Seng's cash and cash equivalents stood at S$8.4 million as at 31 March 2018 compared to S$9.7 million as at 31 March 2017. At the same time, the Group's borrowings came to S$17.1 million as at 31 March 2018, compared to S$6.2 million as at 31 March 2017. Correspondingly, Hiap Seng's gearing ratio was 17% as at 31 March 2018, while it recorded a net cash of S$3.5 million as at 31 March 2017.

Supported by its healthy financial position, the Group remained resilient during this challenging period. Concurrently, we were able to pursue strategic alliances or acquisitions when these opportunities arose.

BUSINESS REVIEW AND OUTLOOK

The Group aims to develop a sustainable and growing long-term business with an emphasis on continuous improvement in product quality, health and safety standards, timely deliveries, cost efficiencies and optimal resource allocation and utilisation. We recognise the need to remain focused on providing customers with quality products and services, particularly within areas of our core competencies.

The Group will also be making investments in automating processes and machinery to reduce reliance on foreign workers and improve our productivity and quality of work. With continued tight labour market and rising costs, the Group will stay vigilant in monitoring its operating costs, increase productivity and ensure its projects are profitable.

The Group's order book amounted to approximately S$122 million as at 30 May 2018. A substantial portion of the order book will be recognised as revenue in the current financial year. Hiap Seng continues to perform plant maintenance works for oil-and-gas and petrochemical majors including Shell, ExxonMobil, Singapore Refining Company, Linde Gas Singapore, Singapore LNG Corporation, Neste Oil Singapore Pte Ltd, Lanxess Butyl Pte Ltd, Fujairah Refining Ltd and Vietnam's Dung Quat Refinery.

While the near-term outlook of the oil-and-gas industry continues to remain challenging, the prospects in the sector are expected to improve over the medium term on the back of sustainable higher oil prices and global economic growth. Key players including our customers will continue to invest in new facilities as well as expand and enhance current facilities, thereby contributing business opportunities for the Group to seize. We will continue to expand our engineering capabilities, pursue cost controls and take active steps to improve productivity, while exploring potential business opportunities, both domestically and regionally, so as to diversify and widen both our customer and revenue base.

INCLUSION ON MTP WATCH-LIST

On 5 June 2018, the Group was placed under the watch-list by the Singapore Exchange as it did not meet the Minimum Trading Price (MTP) entry criterion which entails maintaining a volume-weighted average price of at least 20 cents and an average daily market cap of more than S$40 million over the last six months. To exit the watch-list, the Group has 36 months to satisfy the requirements under the MTP criterion.

SUSTAINABILITY

The Group recognises that embracing sustainable practices is a business priority that is important for the long-term development and success of our business. As such, assessing and improving our impact and operational sustainability has been integrated as part of the Group's strategic formulation. We are pleased to issue our first dedicated Sustainability Report this financial year, which is based on Global Reporting Initiative (GRI) Standards and will be uploaded on our website at www.hiapseng.com and SGXNET by 31 December 2018.

Central to progressing in our sustainability journey is the determination of the material topics through which the Group will measure and report its sustainability performance. Together with Management, the Board has identified material topics to be included in this year's Sustainability Report. These cover environmental, social and governance factors central to our operations and products, such as energy, human capital, and the quality and safety of our products and services. The Board has been integral in determining these topics and will play a key role in the oversight of their future management.

A WORD OF THANKS

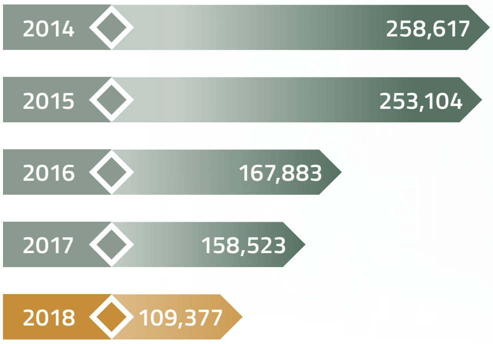
On behalf of the Board, I wish to thank our business partners, associates, customers, bankers, government agencies and shareholders for their unwavering support and invaluable trust in the Group. I would also like to thank our management team and staff for their continued dedication and commitment to the Group during the challenging times. To my fellow Board members who have all been generous with their invaluable advice and guidance, I would like to express my heartfelt gratitude.

TAN AH LAM, FRANKIE
EXECUTIVE CHAIRMAN

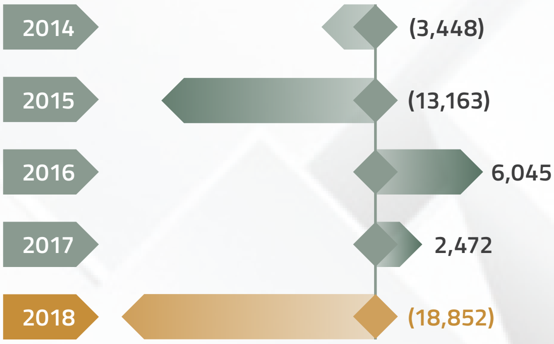
FINANCIAL HIGHLIGHTS

S$'000	FY2014	FY2015	FY2016	FY2017	FY2018
INCOME STATEMENT					
Revenue	258,617	253,104	167,883	158,523	**109,377**
Gross profit	19,140	10,300	23,482	19,159	**3,019**
Profit / (loss) before tax	(3,167)	(11,777)	6,089	1,532	**(19,071)**
Profit / (loss) attributable to shareholders	(3,446)	(13,163)	6,045	2,472	**(18,852)**
BALANCE SHEET					
Current assets	172,335	83,608	84,668	65,840	**65,222**
Non-current assets	36,923	33,708	31,370	28,786	**26,716**
Total assets	209,258	117,316	116,038	94,626	**91,938**
Current liabilities	133,478	53,882	50,040	30,660	**47,767**
Non-current liabilities	2,370	2,238	1,545	1,093	**1,419**
Total liabilities	135,848	56,120	51,585	31,753	**49,186**
Net assets	73,410	61,196	64,453	62,873	**42,752**
SHAREHOLDERS' EQUITY					
Share capital	36,178	36,178	36,178	36,178	**36,178**
Reserves	(75)	707	(79)	1,293	**2,210**
Retained profits	35,482	22,319	26,845	24,762	**4,391**
Shareholders' equity	71,585	59,204	62,944	62,233	**42,779**
Non-controlling interests	1,825	1,992	1,509	640	**(27)**
Total equity	73,410	61,196	64,453	62,873	**42,752**
FINANCIAL RATIOS					
Gross profit margin	7.4%	4.1%	14.0%	12.1%	**2.8%**
Net profit / (loss) margin	(1.3%)	(5.2%)	3.6%	1.0%	**(18.3%)**
Return / (loss) on equity	(4.8%)	(22.2%)	9.6%	4.0%	**(44.1%)**
Return / (loss) on assets	(1.6%)	(11.2%)	5.2%	2.6%	**(20.5%)**
PER SHARE DATA					
Earnings / (loss) (cents)	(1.1)	(4.3)	2.0	0. 8	**(6.2)**
Net asset value (cents)	24.1	20.1	20.7	20.7	**14.1**
Dividends (cents)	0.5	0.5	1.0	1.0	**0.0**

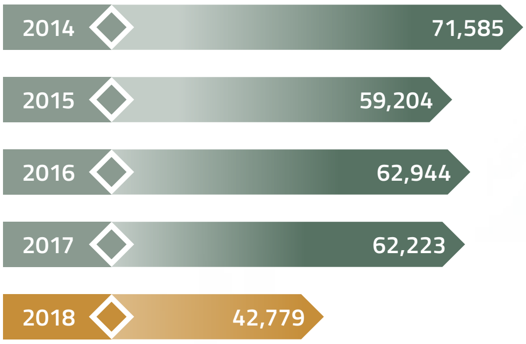
REVENUE



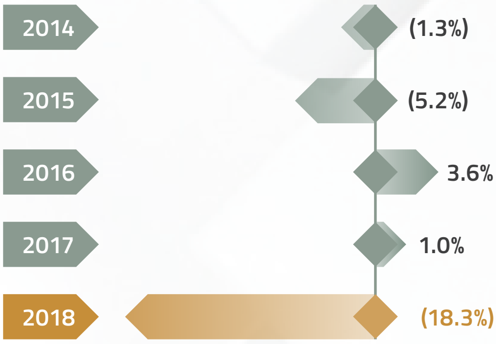
PROFIT / (LOSS) ATTRIBUTABLE TO SHAREHOLDERS



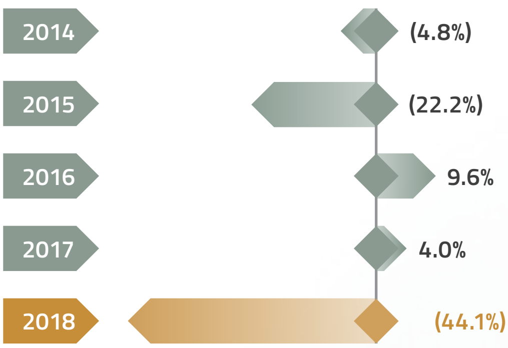
SHAREHOLDERS' EQUITY



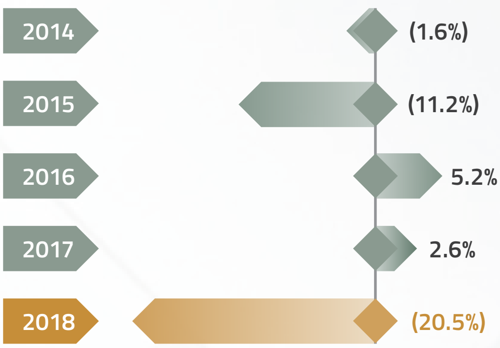
NET PROFIT / (LOSS) MARGIN



RETURN / (LOSS) ON EQUITY



RETURN / (LOSS) ON ASSETS



BOARD OF DIRECTORS

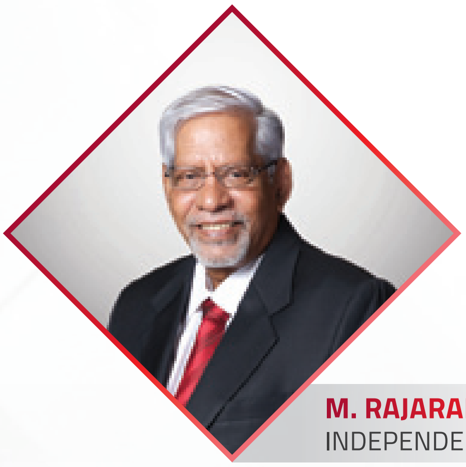
TAN AH LAM, FRANKIE
EXECUTIVE CHAIRMAN

TAN LEAU KUEE, RICHARD
EXECUTIVE DIRECTOR AND CEO

TAN LIAN CHEW
EXECUTIVE DIRECTOR (FINANCE)

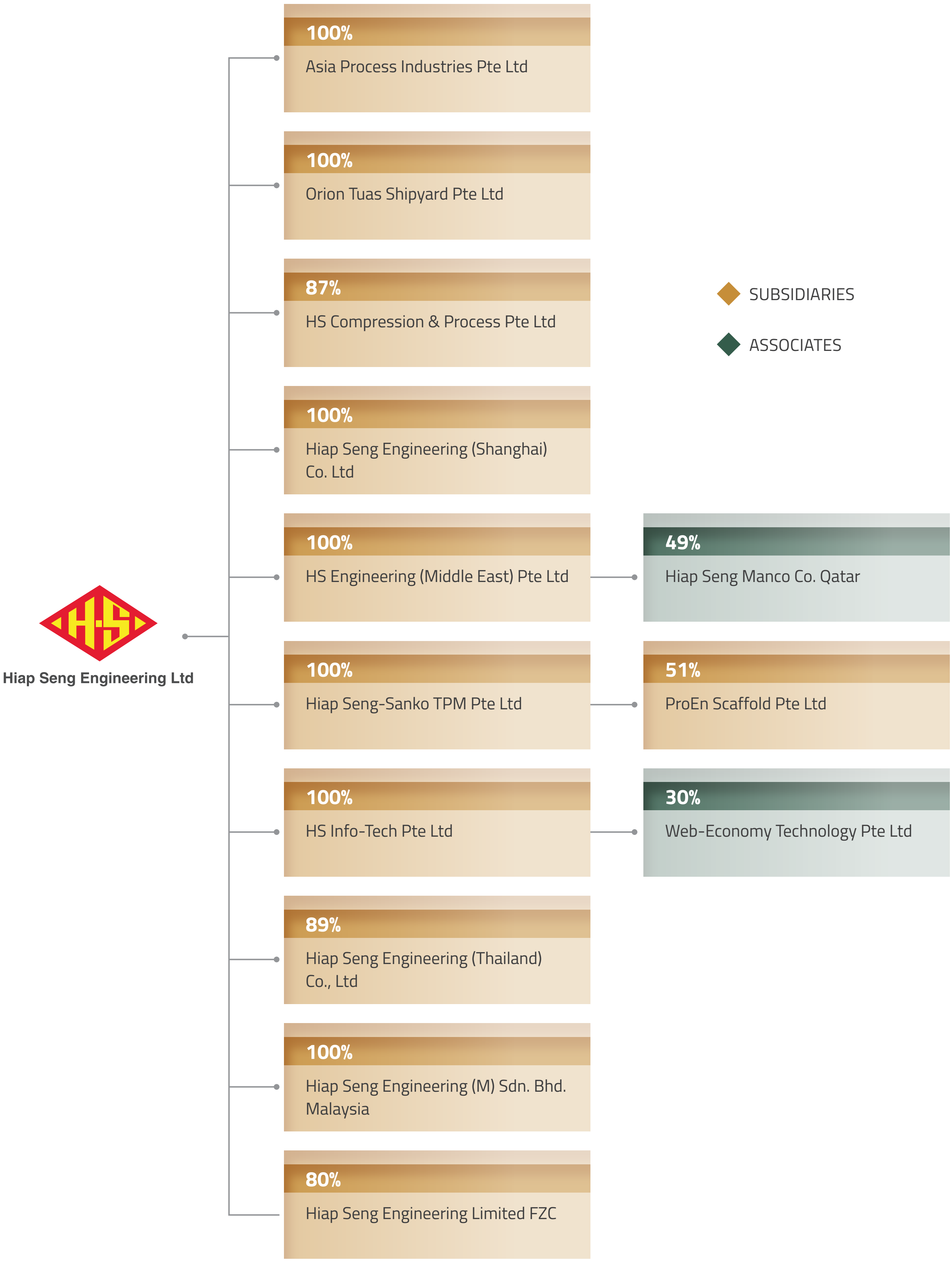
DR JOHN CHEN SEOW PHUN
LEAD INDEPENDENT DIRECTOR

KOH KIM WAH
INDEPENDENT DIRECTOR



M. RAJARAM
INDEPENDENT DIRECTOR

GROUP STRUCTURE



CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Ah Lam, Frankie
Executive Chairman

Tan Leau Kuee, Richard
Executive Director and CEO

Tan Lian Chew
Executive Director (Finance)

Dr John Chen Seow Phun
Lead Independent Director

Koh Kim Wah
Independent Director

M. Rajaram
Independent Director

AUDIT COMMITTEE

Dr John Chen Seow Phun, Chairman
Koh Kim Wah, Member
M. Rajaram, Member

REMUNERATION COMMITTEE

Koh Kim Wah, Chairman
M. Rajaram, Member
Dr John Chen Seow Phun, Member

NOMINATING COMMITTEE

M. Rajaram, Chairman
Koh Kim Wah, Member
Tan Ah Lam Frankie, Member

JOINT COMPANY SECRETARIES

Tan Hak Jin, CA (Singapore)
Lee Pay Lee, ACIS

INVESTOR RELATIONS

Citigate Dewe Rogerson i.MAGE Pte Ltd
55 Market Street
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Singapore 048941
Tel: (65) 65345122
Fax: (65) 65344171

REGISTERED OFFICE

28 Tuas Crescent
Singapore 638719

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte Ltd.
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

AUDITORS

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
7 Straits View, Marina One
East Tower, Level 12
Singapore 018936

Partner: Maurice Loh Seow Wee
(Year of appointment: FY2017)

SOLICITORS

WongPartnership LLP
12 Marina Boulevard Level 28
Marina Bay Financial Centre Tower 3
Singapore 018982

PRINCIPAL BANKERS

United Overseas Bank Limited
DBS Bank Ltd
Malayan Banking Berhad

FINANCIAL CONTENTS

DIRECTORS' STATEMENT

For the financial year ended 31 March 2018

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 March 2018 and the balance sheet of the Company as at 31 March 2018.

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 19 to 78 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 March 2018 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are as follows:

Mr Tan Ah Lam
Mr Tan Leau Kuee @ Tan Chow Kuee
Mr Tan Lian Chew
Dr John Chen Seow Phun
Mr Koh Kim Wah
Mr M. Rajaram

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director		Holdings in which director is deemed to have an interest	
	At 31.3.2018	**At 1.4.2017**	**At 31.3.2018**	**At 1.4.2017**
Hiap Seng Engineering Ltd				
(No. of ordinary shares)				
Mr Tan Ah Lam	3,319,500	3,319,500	70,788,639	70,788,639
Mr Tan Leau Kuee @ Tan Chow Kuee	–	–	70,788,639	70,788,639
Mr Tan Lian Chew	3,601,761	3,601,761	–	–
Mr Koh Kim Wah	–	–	278,000	278,000
Mr M. Rajaram	300,000	300,000	–	–

(b) Mr Tan Ah Lam and Mr Tan Leau Kuee @ Tan Chow Kuee, who by virtue of their interests of not less than 20% of the issued capital of the Company, are deemed to have an interest in the whole of the share capital of the Company's wholly owned subsidiaries and in the shares held by the Company in the following subsidiaries that are not wholly owned by the Group:

	No. of ordinary shares	
	At 31.3.2018	At 1.4.2017
HS Compression & Process Pte Ltd	4,743,750	4,743,750
Hiap Seng Engineering (Thailand) Co., Ltd	1,750,000	1,750,000
ProEn Scaffold Pte Ltd	1,020,000	–

(c) The directors' interests in the ordinary shares of the Company as at 21 April 2018 were the same as those as at 31 March 2018.

Share options

No options have been granted during the financial year to subscribe for unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company or any subsidiary under option at the end of the financial year.

Audit Committee

The members of the Audit Committee at the end of the financial year were as follows:

Dr John Chen Seow Phun (Chairman)
Mr Koh Kim Wah
Mr M. Rajaram

All members of the Audit Committee were independent non-executive directors. The Audit Committee carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act. In performing those functions, the Committee reviewed:

(a) the scope and the results of internal audit procedures with the internal auditor;

(b) the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;

(c) the assistance given by the Company's management to the independent auditor; and

(d) the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 March 2018, as well as the Independent Auditor's Report thereon, before their submission to the Board of Directors.

The Audit Committee has recommended to the Board that the independent auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

DIRECTORS' STATEMENT
For the financial year ended 31 March 2018

Independent Auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

TAN AH LAM Director	TAN LEAU KUEE @ TAN CHOW KUEE Director

5 July 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIAP SENG ENGINEERING LTD

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of Hiap Seng Engineering Ltd (the "Company") and its subsidiaries (the "Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Financial Reporting Standards in Singapore ("FRS") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 March 2018, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated statement of comprehensive income of the Group for the year ended 31 March 2018;
- the balance sheets of the Group and the Company as at 31 March 2018;
- the consolidated statement of changes in equity of the Group for the year then ended;
- the consolidated statement of cash flows of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIAP SENG ENGINEERING LTD (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 March 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	***How our audit addressed the Key Audit Matter***
Construction contracts *(Refer to Note 2.2, Note 2.7, Note 3(a) and Note 13)* During the financial year ended 31 March 2018, shutdown maintenance and construction revenue amounted to $65.7 million (Note 4) and it represented 60% of the total revenue of the Group. The Group uses the percentage-of-completion ("POC") method to account for its construction contract in accordance with FRS 11 Construction Contracts. The POC on construction contracts is measured by reference to the percentage of the physical proportion of the project work completed. Management have assessed the stage of completion by considering external and internal sources of information, and applied judgments in determining the total project costs and revenue to take into consideration the changes in circumstances through the stages of completion. We focused on this area due to the significant amount of judgement required in the estimation of the physical proportion of the project work completed, and the estimation uncertainties of the total project costs and revenue that can be affected by risks from project execution, variation of scope of works and acceptance of claims by customers.	We performed the following audit procedures for construction contracts selected on a sample basis: a) Evaluated the relevant controls relating to the preparation of, and revision to, total project revenue and costs. b) Assessed the reasonableness of management's estimates of total project costs and project revenue: (i) Reviewed the project status and risks associated with the timely completion of the project. (ii) Compared actual costs incurred against budgeted project costs. (iii) Obtained the re-forecast of project revenue and costs and corroborated with on-going negotiations that may impair the profitability and collectability of significant ongoing projects. c) Compared the POC estimated for the project to acknowledgement of project milestones by customers and assessment by its quantity surveyors on the physical progress. d) Obtained evidence of contract modifications (including variation orders and claims) recognised by verifying to customer's orders and acknowledgement of the claims. e) Agreed actual costs incurred to invoices from material suppliers and subcontractors, and payroll records. f) Recomputed the amounts of revenue and costs recognised based on the POC. Based on the audit procedures performed above, we found management's judgement in relation to the estimation of POC, project revenue and project costs to be appropriately supported, and the disclosures in this respect, to be adequate.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIAP SENG ENGINEERING LTD (continued)

Key Audit Matters (continued)

Key Audit Matter	***How our audit addressed the Key Audit Matter***
Accounting for acquisition of business *(Refer to Note 2.4(a)(ii), Note 3(b) and Note 35)* On 25 September 2017, the Group, through one of its wholly-owned subsidiaries, entered into a Subscription and Shareholders' agreement with ProEn Scaffold Pte Ltd ("ProEn") and its founder, to acquire 51% interest of ProEn for a total consideration of S$1,020,000. The Group has accounted for the transaction as a business combination. Management engaged external valuers to perform the purchase price allocation ("PPA"). A goodwill on acquisition of S$503,000 was recognised. We focused on this area due to the significant amount of judgement required in determining the allocation of purchase consideration to goodwill and other identifiable assets and liabilities.	We performed the following audit procedures: a) Reviewed the Subscription and Shareholders' agreement to obtain an understanding of the transaction and the key terms and conditions. b) Evaluated the independence, competency and objectivity of the external valuers engaged by the Company. c) Involved our valuation specialists in assessing management's process of identification of various identifiable assets and liabilities and allocation of the fair value to these acquired assets and assumed liabilities. d) Evaluated the timing and appropriateness of the accounting treatment and consideration of the acquisition based on the contractual agreement for the acquisition. We also assessed the adequacy of the Group's disclosures in Note 35 to the financial statements, made in relation to business acquisitions. Based on the audit procedures performed above, we found management's judgement in relation to the purchase price allocation to be appropriate, and the disclosures in this respect to be adequate.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIAP SENG ENGINEERING LTD (continued)

Key Audit Matters (continued)

Goodwill impairment assessment for Thailand CGU *(Refer to Note 2.10(a), Note 3(c) and Note 19(a))* Goodwill is allocated to the Group's cash generating units ("CGU") identified for operations in Thailand and Singapore. Goodwill is required to be assessed for impairment annually and whenever there is indication that the goodwill may be impaired. Management has performed a value-in-use ("VIU") calculation for the Thailand CGU and determined that the carrying amount of the CGU exceeds the recoverable amount of the CGU, including goodwill. For the financial year ended 31 March 2018, the Group recognised an impairment charge of $4.4 million on goodwill for the Thailand CGU. The key assumptions used in the VIU are the assumed gross margin, growth rate and discount rate. We focused on this because management's assessment of the recoverable amount of the CGU involves significant judgment and use of estimates.	We reviewed management's goodwill impairment assessment by obtaining an understanding of the project pipeline of the operations in Thailand. We also inspected tender documents and latest contract negotiations and correspondences for the forecast periods. We evaluated the reasonableness of the following key assumptions adopted by management in the VIU calculation: (i) For the assumed gross margin and growth rate used to extrapolate cash flows in the forecasts, we compared the forecast order book against firm contracts, the Group's past and actual experience and prevailing market trends. (ii) For the discount rate, we involved our valuation specialists to assess the reasonableness of the weighted average cost of capital adopted. We also considered the adequacy of the Group's disclosures on key assumptions applied in determining the recoverable amount of the CGU. Based on the audit procedures performed above, we found management's judgement in relation to the determination of the recoverable amount to be supported by appropriate assumptions, and the disclosures in this respect to be adequate.

Other information

Management is responsible for the other information. The other information comprises all the sections of the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view In accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIAP SENG ENGINEERING LTD (continued)

Responsibilities of Management and Directors for the Financial Statements (continued)

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIAP SENG ENGINEERING LTD (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Maurice Loh Seow Wee.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 5 July 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 March 2018

	Note	2018 $'000	2017 $'000
Revenue	4	**109,377**	158,523
Cost of services rendered	5	**(106,358)**	(139,364)
Gross profit		**3,019**	19,159
Other income	7	**111**	27
Other (losses)/gains - net	7	**(4,839)**	748
Expenses			
- Administrative	5	**(17,020)**	(18,312)
- Finance	8	**(384)**	(98)
		(19,113)	1,524
Share of profit of associated companies	15	**42**	8
(Loss)/profit before income tax		**(19,071)**	1,532
Income tax (expense)/credit	9	**(988)**	42
Total (loss)/profit		**(20,059)**	1,574
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation		**935**	1,402
Other comprehensive income, net of tax		**935**	1,402
Total comprehensive (loss)/income		**(19,124)**	2,976
(Loss)/profit attributable to:			
Equity holders of the Company		**(18,852)**	2,472
Non-controlling interests		**(1,207)**	(898)
		(20,059)	1,574
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(17,935)**	3,845
Non-controlling interests		**(1,189)**	(869)
		(19,124)	2,976
(Loss)/earnings per share for profit attributable to equity holders of the Company (cents per share)			
Basic and diluted (loss)/earnings per share	10	**(6.21)**	0.81

The accompanying notes form an integral part of these financial statements.

BALANCE SHEETS
As at 31 March 2018

	Note	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
ASSETS					
Current assets					
Cash and cash equivalents	11	**8,355**	9,666	**4,953**	4,679
Trade and other receivables	12	**43,084**	52,566	**46,850**	63,054
Construction contract work-in-progress	13	**9,741**	1,493	**5,898**	891
Other current assets	14	**4,042**	2,115	**2,608**	1,759
		65,222	65,840	**60,309**	70,383
Non-current assets					
Investments in associated companies	15	**310**	269	**–**	–
Investments in subsidiaries	16	**–**	–	**10,538**	10,538
Investment property	17	**–**	–	**–**	–
Property, plant and equipment	18	**22,997**	21,155	**4,555**	6,132
Intangible assets	19	**503**	4,440	**–**	–
Available-for-sale financial assets	20	**2,482**	2,482	**2,482**	2,482
Deferred income tax assets	25	**105**	99	**–**	–
Club memberships	21	**319**	341	**319**	341
		26,716	28,786	**17,894**	19,493
Total assets		**91,938**	94,626	**78,203**	89,876
LIABILITIES					
Current liabilities					
Trade and other payables	22	**31,068**	24,504	**26,378**	26,667
Current income tax liabilities		**15**	38	**–**	22
Borrowings	23	**16,684**	6,118	**7,518**	85
		47,767	30,660	**33,896**	26,774
Non-current liabilities					
Borrowings	23	**444**	92	**–**	18
Deferred income tax liabilities	25	**975**	1,001	**478**	466
		1,419	1,093	**478**	484
Total liabilities		**49,186**	31,753	**34,374**	27,258
NET ASSETS		**42,752**	62,873	**43,829**	62,618
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	26	**36,178**	36,178	**36,178**	36,178
Other reserves	27	**2,210**	1,293	**–**	–
Retained profits	28	**4,391**	24,762	**7,651**	26,440
		42,779	62,233	**43,829**	62,618
Non-controlling interests	16	**(27)**	640	**–**	–
Total equity		**42,752**	62,873	**43,829**	62,618

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 March 2018

	Note	Attributable to equity holders of the Company					
		Share capital	Other reserves	Retained profits	Total	Non-controlling interests	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000
2018							
Beginning of financial year		**36,178**	**1,293**	**24,762**	**62,233**	**640**	**62,873**
Loss for the year		–	–	(18,852)	(18,852)	(1,207)	(20,059)
Other comprehensive income for the year		–	917	–	917	18	935
Total comprehensive loss for the year		–	**917**	**(18,852)**	**(17,935)**	**(1,189)**	**(19,124)**
Acquisition of subsidiary	35	–	–	–	–	522	522
Dividend relating to 2017 paid	29	–	–	(1,519)	(1,519)	–	(1,519)
End of financial year		**36,178**	**2,210**	**4,391**	**42,779**	**(27)**	**42,752**
2017							
Beginning of financial year		**36,178**	**(80)**	**26,846**	**62,944**	**1,509**	**64,453**
Profit for the year		–	–	2,472	2,472	(898)	1,574
Other comprehensive income for the year		–	1,373	–	1,373	29	1,402
Total comprehensive income for the year		–	**1,373**	**2,472**	**3,845**	**(869)**	**2,976**
Dividend relating to 2016 paid	29	–	–	(4,556)	(4,556)	–	(4,556)
End of financial year		**36,178**	**1,293**	**24,762**	**62,233**	**640**	**62,873**

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Total (loss)/profit		**(20,059)**	1,574
Adjustments for:			
- Income tax expense/(credit)		**988**	(42)
- Allowance made for impairment of trade and other receivables		**225**	575
- Depreciation		**4,076**	3,639
- Net gain on disposal of property, plant and equipment		**(342)**	(25)
- Net loss on disposal of club membership		**–**	20
- Property, plant and equipment written off		**12**	23
- Club membership written off		**23**	–
- Net loss/(gain) on disposal of an associated company		**1**	(50)
- Unrealised currency translation gains/(losses)		**995**	796
- Interest expense		**384**	98
- Interest income		**(111)**	(27)
- Amortisation of intangible assets		**–**	1,943
- Impairment of goodwill		**4,440**	–
- Share of profit of associated companies		**(42)**	(8)
		(9,410)	8,516
Change in working capital, net of effects from acquisition of subsidiary:			
- Construction contract work-in-progress		**(8,247)**	5,206
- Trade and other receivables		**10,040**	8,611
- Other current assets		**(1,845)**	645
- Trade and other payables		**4,149**	(20,273)
Cash (used in)/generated from operations		**(5,313)**	2,705
Income tax paid		**(1,044)**	(548)
Net cash (used in)/provided by operating activities		**(6,357)**	2,157
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**403**	103
Purchases of property, plant and equipment *		**(2,858)**	(2,539)
Purchase of club membership		**–**	(20)
Proceeds from disposal of club membership		**–**	45
Proceeds from disposal of an associated company		**–**	161
Interest received		**111**	27
Acquisition of a subsidiary, net of cash acquired	35	**(607)**	–
Net cash used in investing activities		**(2,951)**	(2,223)
Cash flows from financing activities			
Dividends paid to equity holders of the Company		**(1,519)**	(4,556)
Repayment of lease liabilities		**(205)**	(820)
Interest paid		**(384)**	(98)
Proceeds from trust receipt creditors		**8,101**	2,657
Repayment of trust receipt creditors		**(5,719)**	(2,540)
Proceeds from bank borrowings		**34,813**	20,849
Repayment of bank borrowings		**(27,313)**	(19,316)
Net cash generated from/(used in) financing activities		**7,774**	(3,824)
Net decrease in cash and cash equivalents		**(1,534)**	(3,890)
Cash and cash equivalents			
Beginning of financial year	11	**8,446**	12,287
Effects of currency translation on cash and cash equivalents		**(229)**	49
End of financial year	11	**6,683**	8,446

* During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $3,076,000 (2017: $2,558,000) of which $218,000 (2017: $19,000) were acquired on finance leases.

The accompanying notes form an integral part of these financial statements.

Reconciliation of liabilities arising from financing activities

	1 April 2017 $'000	Proceeds $'000	Repayment $'000	Non-cash changes $'000		31 March 2018 $'000
				Acquisition	Foreign exchange movement	
Bank borrowings	(5,000)	(34,813)	27,313	–	–	(12,500)
Bank financing (Trust Receipt)	(962)	(8,101)	5,719	–	(85)	(3,429)
Finance lease liabilities (Hire Purchase)	(229)	(218)	205	(408)	(4)	(654)

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

Hiap Seng Engineering Ltd (the "Company") is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 28 Tuas Crescent, Singapore 638719.

The principal activities of the Company consist of the provision of building construction, engineering, procurement, construction and plant maintenance services for oil and gas and energy sectors and, provision of process and industrial plant engineering and consultancy services. The principal activities of the subsidiaries are set out in Note 39 to the financial statements.

The Group acquired control of ProEn Scaffold Pte. Ltd., a scaffolding service provider (including design, erection, modification, dismantlement and related consultancy services) during the financial year (Note 35).

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2017

On 1 April 2017, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years, except as follows:

FRS 7 Statement of cash flows

The amendments to FRS 7 Statement of cash flows (Disclosure initiative) sets out required disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has included the additional required disclosures in the Consolidated Statement of Cash Flows.

2.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group's activities. Revenue is presented, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group.

2. Significant accounting policies (continued)

2.2 Revenue recognition (continued)

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) *Rendering of services*

Revenue from maintenance services is recognised when the services are rendered.

(b) *Rendering of shutdown maintenance services*

Please refer to the paragraph "Construction contracts" in Note 2.7 for the accounting policy for revenue from shutdown maintenance services.

(c) *Construction of specialised equipment*

Revenue from construction of specialised equipment includes the provision of mechanical engineering services, plant fabrication and installation as well as fabrication of compression and process equipment. Please refer to the paragraph "Construction Contracts" in Note 2.7 for the accounting policy for revenue from construction of specialised equipment.

(d) *Management fee income*

Management fee income is recognised when management support services are rendered.

(e) *Facilities fee income*

Facilities fee income is recognised based on a percentage of corporate guarantees provided.

(f) *Interest income*

Interest income is recognised using the effective interest method.

(g) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

2.3 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2. Significant accounting policies (continued)

2.4 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to the paragraph "Intangible assets - Goodwill on Acquisitions" in Note 2.6(a) for the subsequent accounting policy on goodwill.

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific Standard.

2. Significant accounting policies (continued)

2.4 Group accounting (continued)

(a) *Subsidiaries* (continued)

(iii) *Disposals* (continued)

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries and associated companies" in Note 2.9 for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(b) *Transactions with non-controlling interests*

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

(c) *Associated companies*

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(i) *Acquisitions*

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies represents the excess of the cost of acquisition of the associated company over the Group's share of the fair value of the identifiable net assets of the associated company and is included in the carrying amount of the investments.

(ii) *Equity method of accounting*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its associated companies' or joint ventures' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associated companies or joint ventures are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associated company or joint venture equals to or exceeds its interest in the associated company or joint venture, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company or joint venture. If the associated company or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the assets transferred. The accounting policies of associated companies are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

2. Significant accounting policies (continued)

2.4 Group accounting (continued)

(c) *Associated companies* (continued)

(iii) *Disposals*

Investments in associated companies are derecognised when the Group loses significant influence. If the retained equity interest in the former associated company is a financial asset, the retained equity is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

Please refer to paragraph "Investments in subsidiaries and associated companies" in Note 2.9 for the accounting policy on investments in associated companies in the separate financial statements of the Company.

2.5 Property, plant and equipment

(a) *Measurement*

(i) Land and buildings

Land and buildings are initially recognised at cost. Freehold land is subsequently carried at cost less accumulated impairment losses. Buildings and leasehold land are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) Other property, plant and equipment

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(iii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(b) *Depreciation*

Freehold land is not depreciated. Depreciation on other items of property, plant and equipment, including freehold building, is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Buildings	10 - 30 years or over the lease term, whichever is shorter
Motor vehicles	4 - 5 years
Plant and machinery	5 - 15 years
Furniture, fittings and equipment	3 - 10 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2. Significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

(c) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other losses/gains - net".

2.6 Intangible assets

(a) *Goodwill on acquisitions*

Goodwill on acquisitions of subsidiaries and businesses represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on acquisition of associated companies represents the excess of the cost of acquisition over the Group's share of the fair value of the identifiable net assets acquired.

Goodwill on associated companies is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiaries and associated companies include the carrying amount of goodwill relating to the entity sold.

(b) *Other intangible assets*

Other intangible assets include customer contracts and customer relationships. Other intangible assets are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using straight-line method over 2 to 10 years, which is the shorter of their estimated useful lives and periods of contractual rights.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet. The effects at any revision are recognised in profit or loss when the changes arise.

2.7 Contracts to construct specialised equipment and shutdown maintenance contracts ("Construction contracts")

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date ("percentage-of-completion method"). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Variations in contract work, claims and incentive payments are included in contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim and they are capable of being reliably measured.

2. Significant accounting policies (continued)

2.7 Contracts to construct specialised equipment and shutdown maintenance contracts ("Construction contracts") (continued)

The stage of completion is measured based on surveys of work performed. Costs incurred during the financial year in connection with future activity on a contract are excluded from costs incurred to date when determining the stage of completion of a contract. Such costs are shown as construction contract work-in-progress on the balance sheet unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

At the balance sheet date, the cumulative costs incurred plus recognised profits (less recognised losses) on each contract is compared against the progress billings. Where the cumulative costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as due from customers on construction contracts within "trade and other receivables". Where progress billings exceed cumulative costs incurred plus recognised profits (less recognised losses), the balance is presented as due to customers on construction contracts within "trade and other payables".

Progress billings not yet paid by customers and retentions by customers are included within "trade and other receivables". Advances received are included within "trade and other payables".

2.8 Investment property

Investment property comprises significant portions of leasehold office building that are held for long-term rental yields and/or for capital appreciation.

Investment property is initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the period of the estimated useful lives of 10 to 30 years, or over the lease term, whichever is shorter. The residual values, useful lives and depreciation method of investment property are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in profit or loss when the changes arise.

2.9 Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.10 Impairment of non-financial assets

(a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

2. Significant accounting policies (continued)

2.10 Impairment of non-financial assets (continued)

(b) Club memberships
Property, plant and equipment
Investments in subsidiaries and associated companies
Investment property
Other intangible assets

Club memberships, property, plant and equipment, investments in subsidiaries and associated companies, investment property and other intangible assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating-unit ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation and depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset is recognised in profit or loss.

2.11 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets.

Loans and receivables are presented as "cash and cash equivalents", "trade and other receivables" and deposits within "other current assets" except for non-current interest-free receivables from subsidiaries which in substance forms part of the Company's net investment in the subsidiaries ("quasi-equity loan") have been accounted for in accordance with Note 2.9.

2. Significant accounting policies (continued)

2.11 Financial assets (continued)

(a) *Classification* (continued)

(ii) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the balance sheet date.

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date - the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

(c) *Measurement*

Financial assets are initially recognised at fair value plus transaction costs.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets are subsequently measured at each reporting date at fair value. Investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably are measured at cost less provision for impairment in value.

(d) *Impairment*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) *Loans and receivables*

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

2. Significant accounting policies (continued)

2.11 Financial assets (continued)

(d) Impairment (continued)

(ii) Available-for-sale financial assets

A significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If there is objective evidence of impairment, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

2.12 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.13 Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of the Company and its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the Company and the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet.

Financial guarantees are subsequently amortised to profit or loss over the period of the Company and the subsidiaries' borrowings, unless it is probable that the Group and the Company will reimburse the banks for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the bank in the Group's and the Company's balance sheets.

2.14 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.15 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2. Significant accounting policies (continued)

2.16 Fair value estimation of financial assets and liabilities

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions that are existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair values of the financial instruments.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.17 Leases

The Group leases motor vehicles and certain property, plant and equipment under finance leases and land, factories and offices under operating leases from non-related parties.

(a) *Finance leases - when the Group is a lessee*

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as property, plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(b) *Operating leases - when the Group is a lessee*

Leases of factories and offices where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease.

When a lease is terminated before the lease period expires, any payment made by the Group as a penalty is recognised as an expense when termination takes place.

2.18 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries and associated companies, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

2. Significant accounting policies (continued)

2.18 Income taxes (continued)

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.19 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“functional currency”). The financial statements are presented in Singapore Dollars (“SGD”), which is the functional currency of the Company.

(b) Transactions and balances

Transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates at the date of transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within “Other losses/gains - net”.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) Translation of Group entities’ financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing exchange rates at the balance sheet date;

(ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustment arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2. Significant accounting policies (continued)

2.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the management team whose members are responsible for allocating resources and assessing performance of the operating segments.

2.21 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, net of bank overdrafts and restricted bank deposits. Bank overdrafts are presented as current borrowings on the balance sheet.

For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.22 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.23 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

2.24 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are net of related expenses.

Government grants relating to assets are deducted against the carrying amount of the assets.

2.25 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction. This includes those costs on borrowings acquired specifically for the construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under construction.

The actual borrowing costs incurred during the period up to the issuance of the temporary occupation permit less any investment income on temporary investment of these borrowings, are capitalised in the cost of the property under development. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings.

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Construction contracts

The Group uses the percentage-of-completion ("POC") method to account for its construction contracts. The POC on construction contracts is measured by reference to the percentage of the physical proportion of the project work completed.

Significant judgements are used to estimate the stage of completion of the projects, the total project costs and the total project revenue. In determining the POC, management has relied on both external and internal sources of information, consisting mainly of customers' acknowledgments of the project milestones and the assessments by its quantity surveyors. In relation to the total project costs and revenue, which are affected by factors such as uncertainties in contract execution, variation in scope of works and acceptance of claims by customers, management has relied on its control and processes in monitoring and reviewing all the projects, and its past experience in similar projects to estimate its revision of the total project costs and revenue.

If the project costs of on-going contracts to be incurred had been higher/lower by 10% from management's estimates, the Group's loss/profit after tax would have been higher/lower by $2,578,000 (2017: $5,247,000) respectively. This change in assumption would not cause a provision for losses to be recognised.

If the project revenue of on-going contracts at the balance sheet date had been higher/lower by 10% from management's estimates, the Group's revenue would have been higher/lower by $3,319,000 (2017: higher/lower by $7,301,000). Its results would have been higher/lower by $2,755,000 (2017: $6,059,000).

(b) Acquisition of business

Business combinations are accounted for by applying the acquisition method as set out in Note 2.4(a)(ii).

The initial accounting on the acquisition of subsidiaries involves identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquired entities. The purchase price allocation is performed by independent valuers. Upon completion, there were no other intangible assets identified. Any changes in the assumptions used and estimates made in determining goodwill arising from the acquisition and the fair values of the acquiree's identifiable assets and liabilities will impact the carrying amount of these assets and liabilities.

Please refer to Note 35 for details on the business combination.

(c) Goodwill

Goodwill is tested for impairment annually and whenever there is indication that goodwill may be impaired. Management has performed an impairment assessment and concluded that the recoverable amount of the goodwill attributable to the Thailand CGU determined by the value-in-use ("VIU") of the CGU in which the goodwill resides in is lower than its carrying value.

Significant judgements are used to estimate the gross margin, growth rates and the pre-tax discount rates applied in computing the recoverable amounts of the CGU. In making these estimates, management has relied on past performance, its expectations of market developments and industry trend for mechanical engineering services, plant fabrication and installation and plant maintenance for petroleum and petrochemical industry in Thailand. The key assumptions underlying the VIU are disclosed in Note 19(a).

As at 31 March 2018, the Group recognised impairment of $4,440,000 attributable to the goodwill from the Thailand CGU. The carrying value of $503,000 represents the goodwill on acquisition of ProEn Scaffold Pte Ltd (Note 35).

4. Revenue

	Group	
	2018	2017
	$'000	$'000
Revenue from rendering of services	**43,670**	29,515
Revenue from shutdown maintenance	**24,022**	32,548
Revenue from construction of specialised equipment	**41,685**	96,460
	109,377	158,523

5. Expenses by nature

	Group	
	2018	2017
	$'000	$'000
Sub-contractor charges	**38,174**	50,350
Structural materials and other related costs	**19,951**	21,887
Employee compensation (Note 6)	**47,423**	60,235
Foreign worker levy	**3,685**	5,577
Rental on operating leases	**1,704**	1,766
Transportation & logistic expenses	**3,239**	6,890
Professional fees	**474**	304
Directors' fees	**215**	212
Utilities expenses	**623**	581
Amortisation of intangible assets (Note 19(c))	**–**	1,943
Depreciation of property, plant and equipment (Note 18)	**4,076**	3,639
Entertainment and travelling expenses	**472**	700
Computer and automation expenses	**749**	804
Allowance made/(write-back) for impairment of trade and other receivables (Note 32(b)(ii))	**225**	575
Maintenance expenses	**957**	850
Fees on audit services paid to:		
- Auditor of the Company		
- Current year	**210**	205
- Other auditors*	**46**	34
Non-audit fees paid to:		
- Auditor of the Company	**76**	8
- Other auditors*	**66**	45
Other expenses	**1,013**	1,071
Total cost of services rendered and administrative expenses	**123,378**	157,676

* Includes the network of member firms of PricewaterhouseCoopers International Limited

6. Employee compensation

	Group	
	2018	2017
	$'000	$'000
Wages and salaries	**45,766**	58,404
Government grants		
- Wage Credit Scheme	**(73)**	(57)
- Special Employment Credit	**(66)**	(138)
- Temporary Employment Credit	**(108)**	(154)
- Other	**(91)**	(71)
Employer's contribution to defined contribution plans including Central Provident Fund	**1,995**	2,251
	47,423	60,235

The Wage Credit Scheme ("WC") is a 3-year scheme that was introduced in the Singapore Budget 2013 (extended in Budget 2015 for 2 years up to 2018) to help businesses alleviate business costs in a tight labour market. The WC will be paid to eligible employers for wage increases between 2013 to 2018.

The Special Employment Credit ("SEC") is a 5-year scheme that was introduced in the Singapore Budget 2011 (extended in Budget 2016 for 3 years up to 2019) to support employers, and to raise the employability of older low-wage Singaporeans. The SEC will be paid to eligible employers for wage increases between 2012 to 2019.

The Temporary Employment Credit ("TEC") is a one-year scheme that was introduced in the Singapore Budget 2014 (extended in Budget 2017 for 2 years up to year 2017), as an initiative to help employer adjust to the increase in CPF contribution rates which took effect in 2015. The TEC payments will be made based on CPF contributions paid to eligible employees between 2015 and 2017.

7. Other income and other (losses)/gains - net

	Group	
	2018	2017
	$'000	$'000
Interest income	111	27
Other (losses)/gains - net		
- Currency exchange (loss)/gain - net	(769)	689
- Net gain on disposal of property, plant and equipment	342	25
- Property, plant and equipment written off	(12)	(23)
- (Loss)/gain on disposal of an associated company	(1)	50
- Loss on disposal of club membership	(23)	(20)
- Impairment of goodwill (Note 19(a))	(4,440)	–
- Sundry gain	64	27
	(4,839)	748

8. Finance expenses

	Group	
	2018	2017
	$'000	$'000
Interest expense		
- Bank borrowings	**365**	73
- Finance lease liabilities	**19**	25
	384	98

9. Income taxes

	Group	
	2018	2017
	$'000	$'000
Tax expense/(credit) attributable to results is made up of:		
Current income tax		
- Singapore	**–**	–
- Foreign	**1,014**	318
	1,014	318
Deferred income tax (Note 25)	**(26)**	(365)
	988	(47)
Under-provision in prior financial years:		
- Current income tax	**–**	5
	988	(42)

The tax on the Group's results differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	Group	
	2018	2017
	$'000	$'000
(Loss)/Profit before tax	**(19,071)**	1,532
Share of profit of associated companies, net of tax	**(42)**	(8)
(Loss)/Profit before tax and share of profit of associated companies	**(19,113)**	1,524
Tax calculated at tax rate of 17% (2017: 17%)	**(3,249)**	259
Effects of:		
- different tax rates in other countries	**(31)**	(205)
- income not subject to tax	**(291)**	(47)
- expenses not deductible for tax purposes	**1,370**	526
- utilisation of previously unrecognised		
- tax losses	**–**	(804)
- capital allowances	**–**	(182)
- tax losses not recognised during the financial year	**2,247**	495
- withholding tax	**988**	315
- tax incentives	**–**	(404)
- under-provision of tax in prior financial years	**–**	5
- others	**(46)**	–
Tax expense/(credit)	**988**	(42)

9. Income taxes (continued)

Tax incentives relate to the Productivity and Innovation Credit ("PIC") which is a 5-year scheme that was introduced in the Singapore Budget 2010 (extended in Budget 2014 for 3 years up to 2018) to encourage businesses to invest in areas which would increase productivity and to undertake value-creation activities. The Group's Singapore incorporated subsidiaries and the Company can enjoy allowance/deductions at 400% of its expenditure on each of the six qualifying activities subject to a combined cap of $1,200,000 over 3 years of assessments 2015 to 2018.

10. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2018	2017
Net (loss)/profit attributable to equity holders of the Company ($'000)	**(18,852)**	2,472
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**303,750**	303,750
Basic (loss)/earnings per share (cents per share)	**(6.21)**	0.81

(b) Diluted earnings per share

The diluted earnings per share is the same as the basic earnings per share for the financial years ended 31 March 2018 and 31 March 2017 as the Group did not have any potential ordinary shares outstanding as at 31 March 2018 and 31 March 2017.

11. Cash and cash equivalents

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**7,202**	8,441	**4,953**	4,679
Short-term bank deposits	**1,153**	1,225	**–**	–
	8,355	9,666	**4,953**	4,679

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group	
	2018	2017
	$'000	$'000
Cash and bank balances (as above)	**8,355**	9,666
Less: Bank deposits pledged	**(1,127)**	(1,201)
Less: Bank overdrafts (Note 23)	**(545)**	(19)
Cash and cash equivalents per consolidated statement of cash flows	**6,683**	8,446

The Group has restricted bank deposits amounting to US$859,000 (equivalent of $1,127,000) (2017: US$859,000 (equivalent of $1,201,000)) which are pledged for bank guarantee issued.

12. Trade and other receivables

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Trade receivables:				
- Non-related parties	**10,975**	19,617	**5,345**	10,620
- Subsidiaries	**–**	–	**7,423**	7,997
- Associated companies	**–**	9	**–**	9
	10,975	19,626	**12,768**	18,626
Less: Allowance for impairment of receivables				
- non-related parties (Note 32(b)(ii))	**(859)**	(900)	**(74)**	(74)
- subsidiaries	**–**	–	**(3,292)**	(2,014)
Trade receivables - net	**10,116**	18,726	**9,402**	16,538
Construction contracts:				
- Due from customers (Note 13)	**26,535**	27,080	**15,030**	19,066
- Retentions (Note 13)	**6,125**	6,423	**6,125**	6,423
	32,660	33,503	**21,155**	25,489
Other receivables	**278**	293	**45**	3,547
Staff advances	**30**	44	**2**	31
Loans to subsidiaries	**–**	–	**20,207**	18,236
Less: Allowance for impairment	**–**	–	**(17,149)**	(9,202)
Loans to subsidiaries - net (Note 33(c))	**–**	–	**3,058**	9,034
Non-trade receivables:				
- Subsidiaries (Note 33(d))	**–**	–	**13,188**	8,415
	43,084	52,566	**46,850**	63,054

13. Construction contracts

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Construction contract work-in progress:				
Beginning of financial year	**1,493**	6,699	**891**	6,021
Contract costs incurred	**20,352**	19,042	**15,442**	16,067
Contract expenses recognised in profit or loss	**(12,115)**	(24,234)	**(10,435)**	(21,197)
Currency translation difference	**11**	(14)	**–**	–
End of financial year	**9,741**	1,493	**5,898**	891
Aggregate costs incurred and profits recognised (less losses recognised) to date on uncompleted construction contracts	**46,956**	76,033	**19,212**	67,591
Less: Progress billings	**(21,121)**	(48,995)	**(4,182)**	(48,525)
	25,835	27,038	**15,030**	19,066
Presented as:				
Due from customers on construction contracts (Note 12)	**26,535**	27,080	**15,030**	19,066
Due to customers on construction contracts (Note 22)	**(700)**	(42)	**–**	–
	25,835	27,038	**15,030**	19,066
Retentions on construction contracts (Note 12)	**6,125**	6,423	**6,125**	6,423

14. Other current assets

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Deposits	**1,447**	254	**313**	230
Prepayments	**2,595**	1,861	**2,295**	1,529
	4,042	2,115	**2,608**	1,759

15. Investments in associated companies

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**269**	372	**–**	109
Currency translation differences	**–**	(31)	**–**	(29)
Disposal of an associated company	**(1)**	(80)	**–**	(80)
Share of profits	**42**	8	**–**	–
End of financial year	**310**	269	**–**	–

Details of associated companies are provided in Note 39.

The directors are of the opinion that each associate is immaterial to the Group individually and in aggregate and accordingly, no summarised financial information for associates is disclosed.

16. Investments in subsidiaries

	Company 2018 $'000	Company 2017 $'000
Equity investments at cost		
Beginning of financial year	**10,538**	14,775
Additions	**–**	57
Less: Allowance for impairment losses	**–**	(4,294)
End of financial year	**10,538**	10,538

Details of subsidiaries are provided in Note 39.

Carrying value of non-controlling interests

	2018 $'000	2017 $'000
HS Compression & Process Pte Ltd	**(1,045)**	(396)
Hiap Seng Engineering (Thailand) Co., Ltd	**826**	1,036
Other subsidiaries with immaterial non-controlling interests	**192**	–
Total	**(27)**	640

Summarised financial information of subsidiaries with material non-controlling Interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

Summarised balance sheet

	HS Compression & Process Pte Ltd As at 31 March		Hiap Seng Engineering (Thailand) Co., Ltd As at 31 March	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Current				
Assets	**8,280**	13,415	**9,585**	5,965
Liabilities	**(16,349)**	(16,557)	**(18,114)**	(13,400)
Total current net liabilities	**(8,069)**	(3,142)	**(8,529)**	(7,435)
Non-current				
Assets	**73**	119	**10,601**	11,268
Liabilities	**(12)**	(19)	**(125)**	(48)
Total non-current net assets	**61**	100	**10,476**	11,220
Net (liabilities)/assets	**(8,008)**	(3,042)	**1,947**	3,785

16. Investments in subsidiaries (continued)

Summarised statement of comprehensive income

	HS Compression & Process Pte Ltd For the year ended 31 March		Hiap Seng Engineering (Thailand) Co., Ltd For the year ended 31 March	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Revenue	**7,628**	8,611	**14,379**	10,678
Loss before income tax	**(4,926)**	(5,691)	**(1,928)**	(1,222)
Income tax expense	**(40)**	(123)	**–**	–
Loss after tax	**(4,966)**	(5,814)	**(1,928)**	(1,222)
Other comprehensive (loss)/income	**–**	–	**–**	–
Total comprehensive loss	**(4,966)**	(5,814)	**(1,928)**	(1,222)
Total comprehensive (loss)/income allocated to non-controlling interest	**(648)**	(758)	**(26)**	(140)

Summarised cash flows

	HS Compression & Process Pte Ltd For the year ended 31 March		Hiap Seng Engineering (Thailand) Co., Ltd For the year ended 31 March	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
<u>Cash flows from operating activities</u>				
Cash generated from/(used in) operations	**1,070**	(1,406)	**(4,565)**	927
Income tax paid	**(47)**	(449)	**(2)**	72
Net cash provided by/(used in) operating activities	**1,023**	(1,855)	**(4,567)**	999
Net cash used in investing activities	**(1)**	(1)	**(432)**	(33)
Net cash (used in)/provided by financing activities	**(487)**	1,208	**2,897**	(229)
Net increase/(decrease) in cash and cash equivalents	**535**	(648)	**(2,102)**	737
Cash and cash equivalents at beginning of year	**401**	1,031	**1,889**	1,098
Exchange (losses)/gains on cash and cash equivalents	**74**	18	**(67)**	54
Cash and cash equivalents at end of year	**1,010**	401	**(280)**	1,889

17. Investment property

	Company	
	2018	2017
	$'000	$'000
Cost		
Beginning and end of financial year	**1,797**	1,797
Accumulated depreciation		
Beginning and end of financial year	**1,797**	1,797
Net book value		
End of financial year	**–**	–

The Company engages external independent and qualified valuers to determine the fair value of the investment property at the end of every financial year based on the properties' highest and best use. As at 31 March 2018 and 2017, the fair values of the property has been determined by Suntec Real Estate Consultants Pte. Ltd.

The fair value of the investment property at the balance sheet date is $4,200,000 (2017: $5,400,000).

Fair value hierarchy

	Fair value measurements using significant unobservable inputs (Level 3)
	$
31 March 2018	
- An office building - Singapore	4,200,000
31 March 2017	
- An office building - Singapore	5,400,000

Level 3 fair value of the investment property has been derived using the Direct Comparison Method. Under the Direct Comparison Method, sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size, tenure, location, condition of buildings and prevailing market conditions. The most significant input to the valuation approach would be the adapted value per square feet.

18. Property, plant and equipment

	Freehold land	Freehold buildings	Leasehold buildings	Plant and machinery	Motor vehicles	Furniture, fittings and equipment	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group							
2018							
Cost							
Beginning of financial year	1,621	9,800	15,063	28,472	5,268	7,234	67,458
Additions	–	779	–	1,527	338	432	3,076
Acquisition of subsidiary (Note 35)	–	–	–	2,062	497	30	2,589
Disposals	–	–	(2,579)	(1,984)	(123)	(260)	(4,946)
Written-off	–	–	–	–	–	(4)	(4)
Currency translation differences	45	341	(23)	217	9	36	625
End of financial year	1,666	10,920	12,461	30,294	5,989	7,468	68,798
Accumulated depreciation							
Beginning of financial year	–	2,957	11,325	21,322	3,891	6,808	46,303
Depreciation charge (Note 5)	–	632	667	1,881	559	337	4,076
Disposals	–	–	(2,579)	(1,971)	(123)	(212)	(4,885)
Written-off	–	–	–	–	–	(1)	(1)
Currency translation differences	–	114	6	156	8	24	308
End of financial year	–	3,703	9,419	21,388	4,335	6,956	45,801
Net book value							
End of financial year	1,666	7,217	3,042	8,906	1,654	512	22,997
2017							
Cost							
Beginning of financial year	1,548	9,244	14,425	27,466	4,566	7,056	64,305
Additions	–	7	682	810	834	225	2,558
Disposals	–	–	–	(197)	(151)	(12)	(360)
Written-off	–	–	(26)	–	–	(71)	(97)
Currency translation differences	73	549	(18)	393	19	36	1,052
End of financial year	1,621	9,800	15,063	28,472	5,268	7,234	67,458
Accumulated depreciation							
Beginning of financial year	–	2,246	10,703	19,615	3,500	6,554	42,618
Depreciation charge (Note 5)	–	562	625	1,663	517	272	3,639
Disposals	–	–	–	(170)	(138)	(12)	(320)
Written-off	–	–	(3)	–	–	(31)	(34)
Currency translation differences	–	149	–	214	12	25	400
End of financial year	–	2,957	11,325	21,322	3,891	6,808	46,303
Net book value							
End of financial year	1,621	6,843	3,738	7,150	1,377	426	21,155

18. Property, plant and equipment (continued)

	Leasehold buildings $'000	Plant and machinery $'000	Motor vehicles $'000	Furniture, fittings and equipment $'000	Total $'000
Company					
2018					
Cost					
Beginning of financial year	7,523	19,529	4,227	5,213	36,492
Additions	–	113	115	104	332
Disposals	–	(1,525)	(123)	(214)	(1,862)
Written-off	–	–	–	(3)	(3)
End of financial year	7,523	18,117	4,219	5,100	34,959
Accumulated depreciation					
Beginning of financial year	6,328	16,045	3,077	4,910	30,360
Depreciation charge	466	839	418	134	1,857
Disposals	–	(1,524)	(123)	(166)	(1,813)
Written-off	–	–	–	–	–
End of financial year	6,794	15,360	3,372	4,878	30,404
Net book value					
End of financial year	729	2,757	847	222	4,555
Company					
2017					
Cost					
Beginning of financial year	7,534	19,274	3,486	5,134	35,428
Additions	15	354	834	93	1,296
Disposals	–	(99)	(93)	(12)	(204)
Written-off	(26)	–	–	(2)	(28)
End of financial year	7,523	19,529	4,227	5,213	36,492
Accumulated depreciation					
Beginning of financial year	5,865	15,250	2,753	4,790	28,658
Depreciation charge	466	892	417	133	1,908
Disposals	–	(97)	(93)	(12)	(202)
Written-off	(3)	–	–	(1)	(4)
End of financial year	6,328	16,045	3,077	4,910	30,360
Net book value					
End of financial year	1,195	3,484	1,150	303	6,132

(a) Certain freehold land and buildings of the Group with a net carrying amount of approximately $8,670,000 (2017: $9,750,000) at 31 March 2018, were pledged as collateral to secure credit facilities granted by financial institutions amounting to approximately $6,421,000 (2017: $3,428,000).

(b) Certain leasehold buildings of the Group with a net carrying amount of $22 (2017: $22) at 31 March 2018, were mortgaged to banks to secure banking facilities amounting to $67,000,000 (2017: $70,682,000).

18. Property, plant and equipment (continued)

(c) The carrying amount of plant and equipment held under finance leases are $1,952,000 (2017: $1,814,000) and $1,130,000 (2017: $1,535,000) for the Group and Company respectively at the balance sheet date.

(d) The relevant information on the Group's properties is set out as follows:

Description	Location	Land Area (sq metres)	Tenure
Group and Company			
Three single-storey factory building and a two-storey office building	4 Benoi Place Singapore	7,501	Lease term of 30 years commencing 16 June 1971 extended to 15 June 2031
A three-storey office building and two adjoining single-storey workshops	19 Tuas Crescent, Singapore	13,344	Lease term of 10 years commencing 1 September 2002 extended to 31 December 2021
A two-storey office building and two adjoining single-storey workshops	21 Tuas Crescent, Singapore	10,925	Lease term of 30 years commencing 16 June 1981 extended to 31 December 2021
A four-storey office building and adjoining three-storey factory building	24 Tuas Crescent, Singapore	6,200	Lease term of 22 years commencing 1 June 1997
A two-storey office building and five single-storey workshops	28 Tuas Crescent, Singapore	40,578	Lease term of 25 years commencing 16 February 1983 extended to 15 August 2018
A single –storey factory building with mezzanine office	30 Tuas Crescent, Singapore	8,959	Lease term of 22 years commencing 1 June 1997
Group			
Factory buildings and workshops and two-storey office building	27/58 Moo 8, Bueng, Sriracha, Chonburi 20230, Thailand.	116,504	Freehold
An office unit	121 Xincun Street, Block 8/1, Unit 1105, Union Tower, Putuo, Shanghai, PRC	86	Lease term of 50 years commencing 1 November 2004
An office unit	Unit 2101, Regal Tower, Business Bay, Dubai, UAE	139	Freehold
A factory workshop	Land No. L308, Phase III, Al Hayl Free Zone, UAE	9,000	Lease term of 10 years commencing 7 Feb 2017

19. Intangible assets

	Group 2018 $'000	Group 2017 $'000
Composition:		
Goodwill arising on consolidation (Note (a))	**503**	4,440
Customer contracts (Note (b))	**–**	–
Customer relationships (Note (c))	**–**	–
	503	4,440

(a) Goodwill on consolidation

	Group 2018 $'000	Group 2017 $'000
Cost		
Beginning of financial year	**4,440**	4,440
Acquisition of a subsidiary (Note 35)	**503**	–
End of financial year	**4,943**	4,440

	2018 $'000	2017 $'000
Accumulated impairment losses		
Beginning of financial year	**–**	–
Impairment charge (Note 7)	**4,440**	–
End of financial year	**4,440**	–
Net book value	**503**	4,440

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") as follows:

	Group 2018 $'000	Group 2017 $'000
Singapore	**503**	–
Thailand	**–**	4,440
	503	4,440

The recoverable amount of a CGU was determined based on value-in-use calculations. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were using the estimated growth rates stated below. The growth rate did not exceed the long-term average growth rate for the country in which the CGU operates.

19. Intangible assets (continued)

(a) Goodwill on consolidation (continued)

Key estimates used for the Thailand CGU's value-in-use calculations:

	2018	2017
Gross margin [1]	**10.0% - 15.0%**	20.0% - 23.0%
Growth rate [2]	**2.0%**	3.1%
Discount rate [3]	**15.0%**	15.1%

1 *Budgeted gross margin*

2 *Growth rate used to extrapolate cash flows beyond the budget period*

3 *Pre-tax discount rate applied to the pre-tax cash flow projections*

Management determined budgeted gross margin based on past performance and its expectations of market developments. The growth rate used was consistent with forecasts included in industry reports. The discount rates used were pre-tax and reflected specific risks relating to the relevant segments.

An impairment charge of $4,440,000 (2017: Nil) is included within 'Other losses/gains – net' in the consolidated statement of comprehensive income. The impairment arose as a result of Management revising its business strategy in response to the competitive business environment.

(b) Customer contracts

	Group	
	2018	2017
	$'000	$'000
Cost and Accumulated amortisation		
Beginning and end of financial year	**454**	454
Net book value	**–**	–

(c) Customer relationships

	Group	
	2018	2017
	$'000	$'000
Cost		
Beginning and end of financial year	**2,405**	2,405
Accumulated amortisation		
Beginning of financial year	**2,405**	462
Amortisation charge (Note 5)	**–**	1,943
End of financial year	**2,405**	2,405
Net book value	**–**	–

20. Available-for-sale financial assets

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Beginning and end of financial year	**2,482**	2,482	**2,482**	2,482

The available-for-sale financial assets, comprised investment in unlisted equity securities in Vietnam, stated at cost.

Fair value information has not been disclosed for the Group's investment in equity instruments that are carried at cost because fair value cannot be measured reliably. These equity instruments represent ordinary shares in the companies that are not quoted on any market. The Group does not intend to dispose of these investments in the foreseeable future.

21. Club memberships

	Group and Company	
	2018	2017
	$'000	$'000
Transferable club memberships, at cost	**423**	445
Less: Impairment charge	**(104)**	(104)
Total	**319**	341

22. Trade and other payables

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Trade payables to:				
- Non-related parties	**25,584**	21,683	**18,778**	15,860
- Subsidiaries	**–**	–	**5,360**	6,941
- Associated companies	**32**	2	**32**	2
	25,616	21,685	**24,170**	22,803
Construction contracts:				
- Due to customers (Note 13)	**700**	42	**–**	–
Non-trade payables:				
- Subsidiaries (Note 33(e))	**–**	–	**117**	1,828
- Non-related parties	**1,111**	–	**–**	–
	1,111	–	**117**	1,828
Other payables	**1,128**	346	**11**	29
Accruals for operating expenses	**2,513**	2,431	**2,080**	2,007
	31,068	24,504	**26,378**	26,667

23. Borrowings

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Current				
Bank overdrafts (Note 11)	**545**	19	**–**	–
Bank borrowings	**12,500**	5,000	**7,500**	–
Trust receipts creditors	**3,429**	962	**–**	–
Finance lease liabilities (Note 24)	**210**	137	**18**	85
	16,684	6,118	**7,518**	85
Non-current				
Finance lease liabilities (Note 24)	**444**	92	**–**	18
	444	92	**–**	18
Total borrowings	**17,128**	6,210	**7,518**	103

Bank borrowings of $12,500,000 (2017: $5,000,000) are contractually repriced within 1 month (2017: 1 month) from balance sheet date and are subject to variable interest rates ranging from 2.18% to 3.26% (2017: 1.86% to 2.35%) per annum.

(a) Security granted

(i) Bank overdrafts and trust receipts creditors of the Group amounting to $3,974,000 (2017: $981,000) are secured by a mortgage of the subsidiary's land and buildings, and corporate guarantees granted by the Company amounting to THB 361,000,000 (equivalent of $15,168,000) (2017: THB 390,600,000 (equivalent of $15,860,000)). Interest on bank overdrafts and trust receipts are charged at rate based on Minimum Loan Rate (MLR).

(ii) Bank borrowings of the Group amounting to $12,500,000 (2017: $5,000,000) are secured by the corporate guarantee granted by the Company amounting up to $81,631,000 (2017: $40,050,000).

(iii) Finance lease liabilities of the Group are effectively secured over the leased plant and equipment (Note 24), as the legal title is retained by the lessor and will be transferred to the Group upon full settlement of the finance lease liabilities.

(b) Fair value of finance lease liabilities

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Finance lease liabilities	**654**	229	**18**	103

The fair values above determined from the cash flow analyses, discounted at market borrowing rates of an equivalent instrument at the balance sheet date approximate their carrying amounts.

24. Finance lease liabilities

The Group leases certain plant and equipment from non-related parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term.

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Minimum lease payments due				
- Not later than one year	**236**	144	**18**	86
- Between one and five years	**518**	96	**–**	19
	754	240	**18**	105
Less: Future finance charges	**(100)**	(11)	**–**	(2)
Present value of finance lease liabilities	**654**	229	**18**	103

The present values of finance lease liabilities are analysed as follows:

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Not later than one year (Note 23)	**210**	137	**18**	85
Between one and five years (Note 23)	**444**	92	**–**	18
Total	**654**	229	**18**	103

25. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheets as follows:

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Deferred income tax assets				
- To be recovered within one year	**(9)**	(10)	**–**	–
- To be recovered after one year	**(96)**	(89)	**–**	–
	(105)	(99)	**–**	–
Deferred income tax liabilities				
- To be settled within one year	**111**	159	**92**	145
- To be settled after one year	**864**	842	**386**	321
	975	1,001	**478**	466

25. Deferred income taxes (continued)

Movement in deferred income tax account is as follows:

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**902**	1,267	**466**	362
Tax (credited)/charged to profit or loss (Note 9)	**(26)**	(365)	**12**	104
Acquisition of a subsidiary (Note 35)	**(6)**	–	**–**	–
End of financial year	**870**	902	**478**	466

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable.

As at 31 March 2018, the Group has unutilised tax losses of approximately $24,759,000 (2017: $11,372,000) and unutilised capital allowances of $2,975,000 (2017: $1,331,000). These unutilised tax losses can be carried forward and used to offset against future taxable income subject to the relevant taxation regulations.

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

Group

Deferred income tax liabilities

	Accelerated tax depreciation
	$'000
2018	
Beginning of financial year	**1,001**
Credited to profit or loss	**(26)**
End of financial year	**975**
2017	
Beginning of financial year	1,327
Credited to profit or loss	(326)
End of financial year	1,001

25. Deferred income taxes (continued)

Group (continued)

Deferred income tax assets

	Fair value adjustments $'000	Excess of depreciation over capital allowances $'000	Total $'000
2018			
Beginning of financial year	**–**	**(99)**	**(99)**
Acquisition of a subsidiary (Note 35)	**(6)**	**–**	**(6)**
End of financial year	**(6)**	**(99)**	**(105)**
2017			
Beginning of financial year	–	(60)	(60)
Credited to profit or loss	–	(39)	(39)
End of financial year	–	(99)	(99)

Company

Deferred income tax liabilities

	Accelerated tax depreciation $'000
2018	
Beginning of financial year	**466**
Charged to profit or loss	**12**
End of financial year	**478**
2017	
Beginning of financial year	362
Charged to profit or loss	104
End of financial year	466

26. Share capital

	Issued share capital			
	Number of shares		Amount	
	2018 '000	2017 '000	**2018 $'000**	2017 $'000
Group and Company				
Beginning and end of financial year	**303,750**	303,750	**36,178**	36,178

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

27. Other reserves (non-distributable)

	Group 2018 $'000	Group 2017 $'000
(a) Composition:		
Currency translation reserve (Note(b)(i))	**2,368**	1,451
Capital reserve (Note(b)(ii))	**(158)**	(158)
	2,210	1,293
(b) Movements:		
(i) Currency translation reserve		
Beginning of financial year	**1,452**	79
Net currency translation differences of financial statements of foreign subsidiaries and associated companies	**934**	1,401
Less: Non-controlling interest	**(18)**	(29)
	916	1,372
End of financial year	**2,368**	1,451
(ii) Capital reserve		
Beginning and end of financial year	**(158)**	(158)

28. Retained profits

Movement in retained profits for the Company is as follows:

	Company 2018 $'000	Company 2017 $'000
Beginning of financial year	**26,440**	32,473
Net loss	**(17,270)**	(1,477)
Dividends paid (Note 29)	**(1,519)**	(4,556)
End of financial year	**7,651**	26,440

29. Dividends

	Group and Company 2018 $'000	Group and Company 2017 $'000
Ordinary dividends		
Final exempt dividend paid in respect of the previous financial years of 1.0 cent (2017: 1.0 cent) per share	**1,519**	3,038
Interim exempt dividend paid in respect of the current financial years of Nil (2017: 0.5 cents) per share	**–**	1,518
	1,519	4,556

30. Corporate guarantees

The Company has issued corporate guarantees to banks for credit facilities granted to its subsidiaries. The principal risk to which the Company is exposed is credit risk of the subsidiaries in connection with the guarantees it has issued, which may have a material impact on the Company.

Corporate guarantees issued by the Company are as follows:

	Company	
	2018	2017
	$'000	$'000
THB390,600,000 (2017: THB390,600,000)	**15,168**	15,860
SGD21,631,000 (2017: SGD40,050,000)	**21,631**	40,050
	36,799	55,910

As at 31 March 2018 and 2017, the Company has undertaken to provide financial support to certain subsidiaries.

31. Commitments

Operating lease commitments - where the Group and Company is a lessee

The Group and Company lease various pieces of land from non-related parties under non-cancellable operating lease agreements. These leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Not later than one year	**1,206**	1,539	**1,103**	1,273
Between one and five years	**2,534**	2,936	**1,872**	1,960
Later than five years	**1,825**	1,298	**906**	1,298
	5,565	5,773	**3,881**	4,531

Included in the above are the Group's and the Company's lease commitments in respect of certain leases in which the monthly rental payments are subject to revision every year to market rate, but the increase, if any, shall not exceed 5.5% of the land rent for each immediately preceding year.

32. Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group and has established detailed policies such as authority levels and oversight responsibilities.

(a) Market risk

(i) Currency risk

The Group operates mainly in Asia with dominant operations in Singapore, Malaysia and Thailand. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies").

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the United States Dollar ("USD"), Thai Baht ("THB") and Malaysia Ringgit ("MYR").

In addition, the Group is exposed to currency translation risk on the net assets in foreign operations. Currency exposure to the net assets of the Group's foreign operations in Malaysia and Thailand are managed primarily through borrowings denominated in the relevant foreign currencies.

32. Financial risk management (continued)

(a) *Market risk* (continued)

(i) *Currency risk* (continued)

The Group's currency exposure based on the information provided to key management is as follows:

	SGD $'000	USD $'000	THB $'000	MYR $'000	Others $'000	Total $'000
At 31 March 2018						
Financial assets						
Cash and cash equivalents	2,558	5,003	41	16	737	8,355
Trade and other receivables	27,338	6,760	7,888	1,041	57	43,084
Deposits	542	–	10	5	890	1,447
	30,438	11,763	7,939	1,062	1,684	52,886
Financial liabilities						
Borrowings	(12,957)	–	(4,171)	–	–	(17,128)
Trade and other payables	(21,571)	(990)	(2,799)	(2,946)	(2,062)	(30,368)
	(34,528)	(990)	(6,970)	(2,946)	(2,062)	(47,496)
Net financial (liabilities)/assets	(4,090)	10,773	969	(1,884)	(378)	5,390
Add/(Less): Net financial liabilities/(assets) denominated in the respective entities functional currencies	4,090	–	(952)	1,800	462	5,400
Currency exposure of financial assets net of those denominated in the respective entities functional currencies	–	10,773	17	(84)	84	10,790

32. Financial risk management (continued)

(a) *Market risk* (continued)

(i) *Currency risk* (continued)

	SGD $'000	USD $'000	THB $'000	MYR $'000	Others $'000	Total $'000
At 31 March 2017						
Financial assets						
Cash and cash equivalents	3,830	4,845	110	749	132	9,666
Trade and other receivables	33,916	15,669	1,904	1,064	13	52,566
Deposits	239	–	7	6	2	254
	37,985	20,514	2,021	1,819	147	62,486
Financial liabilities						
Borrowings	(5,155)	–	(1,055)	–	–	(6,210)
Trade and other payables	(22,801)	(90)	(1,333)	(177)	(61)	(24,462)
	(27,956)	(90)	(2,388)	(177)	(61)	(30,672)
Net financial assets/(liabilities)	10,029	20,424	(367)	1,642	86	31,814
Add/(Less): Net financial liabilities/(assets) denominated in the respective entities functional currencies	(10,029)	–	559	(1,626)	(75)	(11,171)
Currency exposure of financial assets net of those denominated in the respective entities functional currencies	–	20,424	192	16	11	20,643

32. Financial risk management (continued)

(a) *Market risk* (continued)

(i) *Currency risk* (continued)

The Company's currency exposure based on the information provided to key management is as follows:

	SGD $'000	USD $'000	THB $'000	MYR $'000	Others $'000	Total $'000
At 31 March 2018						
Financial assets						
Cash and cash equivalents	**2,045**	**2,822**	**16**	**–**	**70**	**4,953**
Trade and other receivables	**39,736**	**3,899**	**3,220**	**(5)**	**–**	**46,850**
Deposits	**313**	**–**	**–**	**–**	**–**	**313**
	42,094	**6,721**	**3,236**	**(5)**	**70**	**52,116**
Financial liabilities						
Borrowings	**(7,518)**	**–**	**–**	**–**	**–**	**(7,518)**
Trade and other payables	**(26,351)**	**(24)**	**–**	**(3)**	**–**	**(26,378)**
	(33,869)	**(24)**	**–**	**(3)**	**–**	**(33,896)**
Net financial assets/(liabilities)	**8,225**	**6,697**	**3,236**	**(8)**	**70**	**18,220**
Less: Net financial assets denominated in the functional currency	**(8,225)**	**–**	**–**	**–**	**–**	**(8,225)**
Currency exposure	**–**	**6,697**	**3,236**	**(8)**	**70**	**9,995**
At 31 March 2017						
Financial assets						
Cash and cash equivalents	3,548	1,060	16	–	55	4,679
Trade and other receivables	51,857	2,776	3,162	4,210	1,049	63,054
Deposits	230	–	–	–	–	230
	55,635	3,836	3,178	4,210	1,104	67,963
Financial liabilities						
Borrowings	(103)	–	–	–	–	(103)
Trade and other payables	(26,656)	–	(2)	(1)	(8)	(26,667)
	(26,759)	–	(2)	(1)	(8)	(26,770)
Net financial assets/(liabilities)	28,876	3,836	3,176	4,209	1,096	41,193
Less: Net financial assets denominated in the functional currency	(28,876)	–	–	–	–	(28,876)
Currency exposure	–	3,836	3,176	4,209	1,096	12,317

32. Financial risk management (continued)

(a) *Market risk* (continued)

(i) *Currency risk* (continued)

The Group does not have significant currency exposures to other foreign currencies except for USD. If the USD, MYR and THB change against the SGD by 5% (2017: 5%) with all other variables including tax rate being held constant, the effects arising from the net financial asset positions will be as follows:

	Increase/(Decrease)	
	2018	2017
	Loss after tax	Profit after tax
	$'000	$'000
Group		
USD against SGD		
- strengthened	**(447)**	848
- weakened	**447**	(848)
Company		
USD against SGD		
- strengthened	**(278)**	159
- weakened	**278**	(159)
MYR against SGD		
- strengthened	**–**	175
- weakened	**–**	(175)
THB against SGD		
- strengthened	**(134)**	132
- weakened	**134**	(132)

(ii) *Price risk*

The Group has insignificant exposure to equity securities price risk as it does not hold significant equity financial assets except for investment in unlisted equity in Vietnam which is stated at cost (Note 20).

(iii) *Cash flow and fair value interest rate risks*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets, the Group's income is substantially independent of changes in market interest rates.

The Group periodically reviews its liabilities and monitors interest rate fluctuations to ensure that the exposure to interest rate risk is within acceptable levels. Management is of the view that the exposure to interest rate risks on liabilities are immaterial and hence do not disclose a sensitivity analysis.

32. Financial risk management (continued)

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank balances and deposits and trade and other receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient collateral where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the Chief Financial Officer based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective management and at the Group level by the Chief Financial Officer.

As the Group and Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, and additionally as follows:

	Company	
	2018	2017
	$'000	$'000
Corporate guarantees provided to banks for credit facilities granted to subsidiaries (Note 30)	**36,799**	55,910

The trade receivables of the Group and of the Company comprise 2 debtors (2017: 5 debtors) and 2 debtors (2017: 3 debtors) respectively that individually represented 4 - 16% (2017: 6 - 17%) of trade receivables.

The credit risk for trade receivables based on the information provided to key management is as follows:

	Group	
	2018	2017
	$'000	$'000
By geographical areas		
Singapore	**8,151**	15,692
Malaysia	**972**	973
Thailand	**950**	2,061
United Arab Emirates	**43**	–
	10,116	18,726

(i) Financial assets that are neither past due nor impaired

Bank balances and deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade and other receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group and Company.

32. Financial risk management (continued)

(b) *Credit risk* (continued)

(ii) *Financial assets that are past due and/or impaired*

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Past due < 3 months	**3,406**	1,903	**562**	98
Past due 3 to 6 months	**25**	3,231	**–**	904
Past due over 6 months	**813**	2,699	**714**	1,164
	4,244	7,833	**1,276**	2,166

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Gross amount	**859**	900	**74**	74
Less: Allowance for impairment	**(859)**	(900)	**(74)**	(74)
	–	–	**–**	–
Beginning of financial year	**900**	326	**74**	74
Currency translation difference	**(19)**	(1)	**–**	–
Allowance made	**225**	575	**–**	–
Allowance utilised		–	**–**	–
Write-back of allowance made in prior year	**(247)**	–	**–**	–
End of financial year	**859**	900	**74**	74

In 2018, the Group has written back an allowance of $247,000 as a result of subsequent collection of debts.

In 2018 and 2017, the impaired trade receivables arose mainly from customers who had cash flow difficulties arising from the current economic conditions.

32. Financial risk management (continued)

(c) Liquidity risk

The Group and Company manages liquidity risk by maintaining sufficient cash and marketable securities to enable them to meet their normal operating commitments and having an adequate amount of committed credit facilities (Note 23). At the balance sheet date, assets held by the Group and Company for managing liquidity risk included cash and short-term deposits as disclosed in Note 11.

The table below analyses non-derivative financial liabilities of the Group and Company into relevant maturity groupings based on remaining period from the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amount as the impact of discounting is not significant.

	Group		Company	
	Less than 1 year	**Between 1 and 5 years**	**Less than 1 year**	**Between 1 and 5 years**
	$'000	**$'000**	**$'000**	**$'000**
At 31 March 2018				
Trade and other payables	**30,368**	**–**	**26,378**	**–**
Borrowings	**16,710**	**518**	**7,518**	**–**
	47,078	**518**	**33,896**	**–**
At 31 March 2017				
Trade and other payables	24,462	–	26,667	–
Borrowings	6,124	96	87	18
	30,586	96	26,754	18

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Net debt	**8,773**	–	**2,565**	–
Total equity	**42,752**	62,873	**43,829**	62,618
Total capital	**51,525**	62,873	**46,394**	62,618
Gearing ratio	**17%**	–	**6%**	–

32. Financial risk management (continued)

(d) *Capital risk* (continued)

For the financial year ended 31 March 2017, the Group and Company are not in net debt positions as the carrying amount of cash and cash equivalents exceeded the carrying amount of borrowings. This resulted in a nil gearing ratio.

Financial covenants relating to the Group's borrowings include gearing ratio of a subsidiary.

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 March 2018 and 2017.

(e) *Fair value measurements*

The carrying values of financial assets and liabilities approximate to their fair values.

(f) *Financial instruments by category*

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet, except for the following:

	Group	
	2018	2017
	$'000	$'000
Loans and receivables	**52,886**	62,486
Financial liabilities at amortised cost	**47,496**	30,672

	Company	
	2018	2017
	$'000	$'000
Loans and receivables	**52,116**	68,964
Financial liabilities at amortised cost	**33,896**	26,752

33. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following significant transactions took place between the Group and related parties at terms agreed between the parties:

(a) *Sales and purchases of goods and services*

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Purchase of computer equipment from an associated company	**22**	29	**22**	25
Computer maintenance fees paid to an associated company	**194**	212	**192**	208

Outstanding balances as at 31 March 2018 are set out in Notes 12 and 22.

33. Related party transactions (continued)

(b) *Key management personnel compensation*

Key management personnel compensation is as follows:

	Group	
	2018	2017
	$'000	$'000
Salaries and other short-term employee benefits	**2,968**	2,899
Employer's contribution to defined contribution plans, including Central Provident Fund	**77**	77
	3,045	2,976

Included in the above is total compensation to directors of the Company amounting to $1,474,000 (2017: $1,421,000).

The banding of directors' remuneration is as follows:

	Company	
	2018	2017
Number of directors of the Company in remuneration bands:		
$500,000 to $749,999	**1**	1
$250,000 to $499,999	**1**	1
Below $250,000	**4**	4
Total	**6**	6

(c) *Loans to subsidiaries*

Loans to subsidiaries amounting to $3,058,000 (2017: $9,034,000) as set out in Note 12 are unsecured, interest-free and have no fixed repayment terms.

(d) *Non-trade receivables from subsidiaries*

The non-trade receivables from subsidiaries amounting to $13,188,000 (2017: $8,415,000) as set out in Note 12, are unsecured, interest-free and repayable on demand.

(e) *Non-trade payables to subsidiaries*

The non-trade payables to subsidiaries amounting to $117,000 (2017: $1,828,000) as set out in Note 22, are unsecured, interest-free and repayable on demand.

34. Segment information

Management has determined the operating segments based on the reports that are used to make strategic decisions. Management comprises the Chairman, Chief Executive Officer and Executive Director, Finance Director, Chief Financial Officer and the general managers of each business segment.

Management considers the business mainly from the following two business segments: (i) Plant construction and maintenance and (ii) Compression and process equipment fabrication. Other services include investment holding but this is not included within the reportable operating segments as it is not included in the reports provided to the management.

34. Segment information (continued)

The segment information provided to the management team for the reportable segments for the year ended 31 March 2018 is as follows:

	Plant construction and maintenance	Compression and process equipment fabrication	Total
	$'000	$'000	$'000
Group			
2018			
Revenue			
Revenue from external parties	**101,750**	**7,627**	**109,377**
Adjusted EBITDA	**(5,514)**	**(4,768)**	**(10,282)**
Depreciation	**(4,026)**	**(50)**	**(4,076)**
Goodwill impairment	**(4,440)**	**–**	**(4,440)**
Share of profit of associated companies	**42**	**–**	**42**
Segment assets	**83,583**	**8,355**	**91,938**
Segment assets include:			
Investment in associated companies (Note 15)	**310**	**–**	**310**
Additions to:			
- Property, plant and equipment (Note 18)	**3,072**	**4**	**3,076**
Segment liabilities	**(32,822)**	**(16,364)**	**(49,186)**
2017			
Revenue			
Revenue from external parties	150,340	8,183	158,523
Adjusted EBITDA	12,792	(5,607)	7,185
Depreciation	(3,580)	(59)	(3,639)
Amortisation	(1,943)	–	(1,943)
Share of results of associated companies	8	–	8
Segment assets	81,092	13,534	94,626
Segment assets include:			
Investment in associated companies (Note 15)	269	–	269
Additions to:			
- Property, plant and equipment (Note 18)	2,549	9	2,558
Segment liabilities	(15,177)	(16,576)	(31,753)

Sales between segments are carried out at market terms. The revenue from external parties reported to the management is measured in a manner consistent with that in the consolidated statement of comprehensive income.

34. Segment information (continued)

Management assesses the performance of the operating segments based on a measure of earnings before interest, tax, depreciation, amortisation and costs that are not expected to recur in every period ("Adjusted EBITDA"). Interest income and finance expenses are not allocated to segments, as this type of activity is driven by the Chief Financial Officer, who manages the cash position of the Group.

(a) Reconciliations

(i) Segment profits

A reconciliation of adjusted EBITDA to (loss)/profit before tax is provided as follows:

	2018	2017
	$'000	$'000
Adjusted EBITDA for reportable segments	**(10,282)**	7,185
Depreciation	**(4,076)**	(3,639)
Amortisation	**–**	(1,943)
Impairment loss on goodwill	**(4,440)**	–
Finance expense	**(384)**	(98)
Interest income	**111**	27
(Loss)/Profit before tax	**(19,071)**	1,532

(ii) Segment assets

Segments' assets are reconciled to total assets as follows:

The amounts provided to the management with respect to total assets are measured in a manner consistent with that of the financial statements. All assets are allocated to reportable segments.

	2018	2017
	$'000	$'000
Segment assets for reportable segments	**91,938**	94,626

(iii) Segment liabilities

The amounts provided to the management team with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. All liabilities are allocated to reportable segments.

Segments' liabilities are reconciled to total liabilities as follows:

	2018	2017
	$'000	$'000
Segment liabilities for reportable segments	**49,186**	31,753

(b) Revenue from major products and services

Revenue from external customers are derived mainly from the provision of mechanical engineering services, plant fabrication and installation and plant maintenance for the petroleum and petrochemical industry and fabrication of compression and process equipment. Breakdown of the revenue are disclosed in the segment information above.

34. Segment information (continued)

(c) Geographical information

The Group's two main business segments operate in six main geographical areas:

- Singapore - the Company is headquartered and has operations in Singapore. The operations in this area are principally the provision of mechanical engineering services, plant fabrication and installation and plant maintenance for the petroleum and petrochemical industry, fabrication of compression and process equipment, and investment holding;
- Malaysia - the operations in this area are principally the provision of mechanical engineering services, plant construction and plant maintenance for the petroleum and petrochemical industry,
- Thailand - the operations in this area are principally the provision of mechanical engineering services, plant fabrication and installation for the petroleum and petrochemical industry and fabrication of compression and process equipment,
- Vietnam – the operations in this area are principally the provision of plant maintenance,
- United Arab Emirates – the operations in this area are principally the provision of mechanical engineering services, plant construction and plant maintenance for the petroleum and petrochemical industry; and
- Other countries - the operations in these areas are principally the provision of mechanical engineering services, plant fabrication and installation and plant maintenance for the petroleum and petrochemical industry and fabrication of compression and process equipment.

	2018	2017
	$'000	$'000
Revenue		
Singapore	**69,824**	119,964
Malaysia	**334**	13,155
Thailand	**20,333**	14,353
Vietnam	**12,998**	4,000
United Arab Emirates	**3,483**	–
Other countries	**2,405**	7,051
	109,377	158,523
Non-current assets		
Singapore	**12,752**	15,917
Malaysia	**5**	4
Thailand	**10,601**	11,268
Vietnam	**–**	–
United Arab Emirates	**2,859**	–
Other countries	**499**	1,597
	26,716	28,786

Revenues of $16,538,000 (2017: $40,727,000) are derived from a single external customer. These revenues are attributable to the Singapore plant construction and maintenance segment.

35. Business combinations

On 25 September 2017, the Group, through one of its wholly-owned subsidiaries, entered into a Subscription and Shareholders' agreement with ProEn Scaffold Pte Ltd ("ProEn") and its founder, to acquire 51% interest of ProEn for a total consideration of S$1,020,000. The principal activity of ProEn is that of a scaffolding contractor in petro-chemical, refinery, construction and marine and process plant engineering services.

The Group has accounted for the transaction as a business combination. Management engaged external valuers to perform the purchase price allocation exercise. Goodwill on acquisition of S$503,000 was recognised.

Details of the consideration paid, the assets acquired and liabilities assumed, the non-controlling interest recognised and the effects on the cash flows of the Group, at the acquisition date, are as follows:

		$'000
(a)	Purchase consideration	
	Cash paid	1,020
	Consideration transferred for the business	**1,020**
(b)	Effect on cash flows of the Group	
	Cash paid (as above)	1,020
	Less: cash and cash equivalents in subsidiary acquired	(413)
	Cash outflow on acquisition	**607**

		At fair value $'000
(c)	Identifiable assets acquired and liabilities assumed	
	Cash and cash equivalents	413
	Property, plant and equipment (Note 18)	2,589
	Inventories	60
	Trade and other receivables (Note (e) below)	1,350
	Deferred tax assets (Note 25)	6
	Total assets	4,418
	Trade and other payables	2,300
	Borrowings	1,079
	Total liabilities	3,379
	Total identifiable net assets	**1,039**
	Less: Non-controlling interest at share of net identifiable assets	(522)
	Add: Goodwill (Note 19)	503
	Consideration transferred for the business	**1,020**

(d) Acquisition-related costs

Acquisition-related costs of $10,000 are included in "administrative expenses" in the consolidated statement of comprehensive income and in operating cash flows in the consolidated statement of cash flows.

35. Business combinations (continued)

(e) Acquired receivables

The fair value of trade and other receivables is $1,350,000 and includes trade receivables with a fair value of $1,257,000.

(f) Non-controlling interests

The Group has chosen to recognise the 49% non-controlling interest at its carrying value of $522,000. The non-controlling interest reflects the proportionate interest of the non-controlling shareholder in the net identifiable assets of ProEn.

(g) Goodwill

The goodwill of $503,000 arising from the acquisition is attributable to the synergies expected to arise from the economies of scale in combining the Singapore operations with those of ProEn in relation to scaffolding works.

(h) Revenue and profit contribution

The acquired business contributed revenue of $2,075,000 and net loss of $379,000 to the Group from the period from 1 October 2017 to 31 March 2018.

Had ProEn been consolidated from 1 April 2017, consolidated revenue and consolidated loss for the year ended 31 March 2018 would have been $111,399,000 and $20,339,000 respectively.

36. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 April 2018 and which the Group has not early adopted:

(a) FRS 109 *Financial instruments* (effective for annual periods beginning on or after 1 January 2018)

FRS 109 replaces FRS 39 *Financial instruments: Recognition and Measurement* and its relevant interpretations.

FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI (FVOCI). Gains and losses realised on the sale of financial assets at FVOCI are not transferred to profit or loss on sale but reclassified from the FVOCI reserve to retained earnings.

Under FRS 109, there were no changes to the classification and measurement requirements for financial liabilities except for the recognition of fair changes arising from changes in own credit risk. For liabilities designed at fair value through profit or loss, such changes are recognised in OCI.

FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

36. New or revised accounting standards and interpretations (continued)

(a) FRS 109 *Financial instruments* (effective for annual periods beginning on or after 1 January 2018) (continued)

There is also now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under FRS 115 *Revenue from contracts with customers*, lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation.

The Group is required to adopt a new accounting framework from 1 April 2018 (Note 37). The new accounting framework has similar requirements of FRS 109 and the impact of adopting the equivalent FRS 109 is disclosed in Note 37.

(b) FRS 115 *Revenue from contracts with customers* (effective for annual periods beginning on or after 1 January 2018)

FRS 115 replaces FRS 11 *Construction contracts*, FRS 18 *Revenue*, and related interpretations.

Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group is required to adopt a new accounting framework from 1 April 2018 (Note 37). The new accounting framework has similar requirements of FRS 115 and the impact of adopting the equivalent FRS 115 is disclosed in Note 37.

(c) FRS 116 *Leases* (effective for annual periods beginning on or after 1 January 2019)

FRS 116 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

The new standard also introduces expanded disclosure requirements and changes in presentation.

The Group is required to adopt a new accounting framework from 1 April 2018 (Note 37). The new accounting framework has similar requirements of FRS 116. The Group has yet to determine to what extent the commitments as at the reporting date will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

37. Adoption of SFRS(I)s

The Singapore Accounting Standards Council has introduced a new Singapore financial reporting framework that is equivalent to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The new framework is referred to as 'Singapore Financial Reporting Standards (International)' ("SFRS(I)s") hereinafter.

As required by the listing requirements of the Singapore Exchange, the Group has adopted SFRS(I)s on 1 April 2018 and will be issuing its first set of financial information prepared under SFRS(I)s for the quarter ended 30 June 2018 in August 2018.

In adopting SFRS(I)s, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*. The Group will also concurrently apply new major SFRS(I) 9 *Financial Instruments* and SFRS(I) 15 *Revenue from Contracts with Customers*. The estimated impact arising from the adoption of SFRS(I)s on the Group's financial statements are set out as follows:

(a) Application of SFRS(I) 1

The Group is required to retrospectively apply all SFRS(I)s effective at the end of the first SFRS(I) reporting period (financial year ending 31 March 2018), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1. The Group does not plan to elect any optional exemptions.

(b) Adoption of SFRS(I) 9

The Group plans to elect to apply the short-term exemption under SFRS(I) 1 to adopt SFRS(I) 9 on 1 April 2018. Accordingly, requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* will continue to apply to financial instruments up to the financial year ended 31 March 2017.

(i) Classification and measurement

The Group has assessed the business models that are applicable on 1 April 2018 to financial assets so as to classify them into the appropriate categories under SFRS(I) 9. Expected significant adjustments to the Group's balance sheet line items as a result of management's assessment are as follows:

- *Equity investments previously classified as AFS to FVOCI*

The Group has elected to recognise changes in the fair value of all its equity investments not held for trading and previously classified as available-for-sale in other comprehensive income.

(ii) Impairment of financial assets

The following financial assets will be subject to the expected credit loss model under SFRS(I) 9:

- trade receivables and contract assets recognised under SFRS(I) 15;
- loans to related parties and other receivables at amortised cost.

An increase in provision for impairment for the above financial assets and corresponding decrease in opening retained earnings is expected to arise from the application of the expected credit loss impairment model.

The impact arising from the adoption of this standard has been assessed to be immaterial.

37. Adoption of SFRS(I)s (continued)

(c) Adoption of SFRS(I) 15

In accordance with the requirements of SFRS(I) 1, the Group will adopt the SFRS(I) 15 retrospectively. The main adjustments are as follows:

(i) Accounting for loss-making construction contracts

Under FRS, when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately on a contract by-contract basis, and is accounted for on the balance sheet in accordance with Note 2.6.

Under SFRS(I) 15, there is no guidance on how to account for expected losses on loss-making contracts. As such, the Group will need to apply SFRS(I) 37 Provisions, Contingent Liabilities and Contingent Assets to identify and account for onerous contracts. The Group has assessed and concluded that these loss-making contracts are onerous and will be recognised and measured as a provision.

(ii) Presentation of contract assets and liabilities

The Group is expected to change the presentation of certain amounts in the balance sheet to reflect the terminology in SFRS(I) 15:

- Amounts due from customers arising from construction contracts, and accrued billings on construction contracts and retention due from customers within “trade receivables” under FRS will be reclassified to be presented as part of contract assets.

- Amounts due to customers arising from construction contracts, and advances received on construction contracts and advance billings on construction contracts within “trade payables” under FRS will be reclassified to be presented as part of contract liabilities.

The impact arising from the adoption of this standard has been assessed to be immaterial.

38. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Hiap Seng Engineering Ltd on 5 July 2018.

39. Listing of companies in the Group

Name of companies	Principal activities	Country of business/ incorporation	Equity Holding The Company 2018 %	Equity Holding The Company 2017 %	Equity Holding Subsidiary 2018 %	Equity Holding Subsidiary 2017 %
Subsidiaries						
Orion Tuas Shipyard Pte Ltd [(a)]	Provision of facilities for plant fabrication	Singapore	**100**	100	**–**	–
Asia Process Industries Pte Ltd [(a)]	Plant maintenance for the petroleum and petrochemical industry	Singapore	**100**	100	**–**	–
HS Compression & Process Pte Ltd [(a)]	Provision of engineering services, compression and process equipment fabrication for oil and gas industry	Singapore	**87**	87	**–**	–
Hiap Seng-Sanko TPM Pte Ltd [(a)]	Provision of engineering services and plant maintenance	Singapore	**100**	100	**–**	–
HS Info-Tech Pte Ltd [(a)]	Investment holding	Singapore	**100**	100	**–**	–
Hiap Seng Engineering (Thailand) Co., Ltd [(b)]	Mechanical engineering services, plant fabrication and installation and plant maintenance for petroleum and petrochemical industries	Thailand	**89**	89	**–**	–
HS Engineering (Middle East) Pte Ltd [(a)]	Provision of engineering services and plant maintenance	United Arab Emirates/ Singapore	**100**	100	**–**	–
Hiap Seng Engineering (M) Sdn Bhd [(d)]	Provision of engineering services, plant construction and maintenance services	Malaysia	**100**	100	**–**	–
Hiap Seng Engineering Shanghai Co. Ltd [(c)]	Provision of engineering services and plant maintenance	People's Republic of China	**100**	100	**–**	–
Hiap Seng Engineering Limited FZC [(e)]	Provision of engineering services and plant Maintenance	United Arab Emirates	**80**	100	**–**	–
ProEn Scaffold Pte Ltd [(f)]	Provision of scaffolding service and plant engineering services	Singapore	**–**	–	**51**	–

39. Listing of companies in the Group (continued)

Name of companies	Principal activities	Country of business/ incorporation	Equity Holding The Company		Equity Holding Subsidiary	
			2018	2017	**2018**	2017
			%	%	**%**	%
Associated companies						
Web-Economy Technology Pte Ltd[(g)]	Internet e-business solutions including internet professional services	Singapore	**–**	–	**30**	30
Hiap Seng Manco Co.[(h)]	General construction and trade of electrical tools and mechanical equipment	Qatar	**–**	–	**49**	49

(a) Audited by PricewaterhouseCoopers LLP, Singapore.
(b) Audited by Ernst & Young, Thailand.
(c) Audited by Shanghai Asahi Certified Public Accountants.
(d) Audited by Crowe Horwath AF 1018.
(e) Audited by Crowe Horwath – UAE.
(f) Audited by T&C Partners.
(g) Audited by DP & Associates.
(h) Not required to be audited under the laws of the country of incorporation.

Hiap Seng Engineering Ltd (the "Company") is committed to achieving a high standard of corporate governance within the Group and to putting in place effective self-regulatory corporate practices to protect the interests of its shareholders and enhance long-term shareholder value. The Company has generally complied with the principles and recommendations of the Code of Corporate Governance 2012 (the "Code"). The Board of Directors ("the Board") is pleased to report compliance of the Company with the Code except where otherwise stated.

BOARD OF DIRECTORS
(Code of Corporate Governance Principles 1, 2, 3, 6 and 10)

The Board's primary role is to protect shareholders' interests and enhance long-term shareholder value. It sets the overall strategy for the Company and its subsidiaries (the "Group") and supervises the management. To fulfill this role, the Board is responsible for setting the strategic direction for the Group, establishing goals for management and monitoring the achievement of these goals.

Apart from its statutory responsibilities, the Board's principal functions include the following:

(i) approve annual reports, periodic financial announcements and accounts;

(ii) ensure management leadership of high quality, effectiveness and integrity;

(iii) appoint key personnel;

(iv) review financial performance and implement financial policies which incorporate risk management, internal controls and reporting compliance;

(v) assume responsibility for corporate governance framework of the Company;

(vi) identify the key stakeholder groups;

(vii) establish the Company's values and standards; and

(viii) consider sustainability issues such as economic, social and governance factors as part of the Company's strategic formulation.

The Board comprises six Directors, three of whom are Independent Non-Executive Directors. With three out of six members of the Board being independent, the Company maintains a satisfactory independent element on the Board. The Board, taking into account the nature of operations of the Company, considers its current size to be adequate for effective decision making.

The Directors of the Company as at the date of this report are:-

Mr Tan Ah Lam, Frankie (Executive Chairman)

Mr Tan Leau Kuee @ Tan Chow Kuee, Richard (Chief Executive Officer and Executive Director)

Mr Tan Lian Chew (Executive Director)

Dr John Chen Seow Phun (Lead Independent Non-Executive Director)

Mr Koh Kim Wah (Independent Non-Executive Director)

Mr M. Rajaram (Independent Non-Executive Director)

Of the six Directors, two have specialised training. Mr M. Rajaram is a renowned lawyer in the legal sector and Mr Tan Lian Chew has vast number of years of experience in the finance, corporate and tax services sectors. The remaining Directors each have 35-45 years of industry experience. Key information regarding the Directors' academic and professional qualifications and other appointments is set out on pages 94 to 95 of the Annual Report.

The Directors will receive relevant training, particularly on relevant new laws, regulations and changing commercial risks, from time to time. The Directors will also be updated on the business of the Group through regular presentations and meetings. The Company will conduct comprehensive and tailor induction for incoming Directors on joining the Board. Induction and orientation will be provided to new and existing Directors. The Company will also arrange for new Directors with no prior experience of serving as a director in a listed company to attend appropriate courses, conferences or seminars, including programmes or courses organised by the Singapore Institute of Directors or other training institutions in areas such as accounting, legal and industry-specific knowledge. All expenses in relation to the trainings are at the expenses of the Company. A formal letter of appointment is furnished to any newly appointed directors, upon his appointment during the financial year, explaining among other matters, the roles, obligations, duties and responsibilities as a member of the Board.

The Company does not have a written policy with regards to diversity in identifying director nominees. However, it will consider the benefits of all aspects of diversity, including of skills, experience, background, gender, age, ethnicity and other relevant factors.

The Company has adopted internal guidelines governing matters that require the Board’s approval. The Board Authority Matrix forms a guideline and provides clear directions on matters requiring Board’s approval which include:

- Issuance of shares
- Major investments
- Material acquisitions and disposal of assets
- Major corporate or financial restructurings
- Major divestment or capital expenditure
- Material legal suits and or claims
- Announcement of the Company’s quarterly and full-year results and the release of the Annual Reports.

To facilitate effective management, certain functions have been delegated to various Board Committees namely, the Audit Committee, Remuneration Committee and Nominating Committee, each of which has its own written terms of reference.

All Directors must objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company. The Independent and Non-Executive Directors constructively challenge, review and discuss key issues and assist in develop proposals on strategy, as well as review the performance of management in meeting identified goals and monitor the reporting of performance. The Independent and Non-Executive Directors meet quarterly without the presence of Management to discuss the affairs of the Company. All Directors take decisions objectively in the interests of the Company.

The Board is accountable to the shareholders and the Management is accountable to the Board. To assist the Board in fulfilling its responsibilities, the Board will be provided quarterly or when the Board or Board committees requested, with copies of disclosure documents, budgets, forecasts and monthly internal financial statements and any material variance between the projects and actual results, containing complete, adequate and timely information, and papers containing relevant background or explanatory information required to support the decision making process.

All Directors have separate and independent access to Key Management Personnel and to the Company Secretaries. The Company Secretaries administer, attend and prepare minutes of Board and Board Committee meetings, and assist the Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively, and the Company’s Memorandum and Articles of Association and relevant rules and regulations, including requirements of the Companies Act and the Singapore Exchange Securities Trading Limited (“SGX-ST”), are complied with. The appointment and the removal of the Company Secretaries is a matter for the Board as a whole.

Should Directors, whether as a group or individually, need independent professional advice in the furtherance of their duties, the cost of such professional advice will be borne by the Company.

The Board meets on quarterly basis and additional meetings are held whenever necessary. The Company's Articles of Association allow a Board meeting to be conducted by way of telephone conferencing or by means of similar communication equipment whereby all persons participating in the meeting are able to hear each other, provided that the requisite quorum is present.

The number of Board and Board Committees meetings held in the financial year, as well as the attendance of every Board member at those meetings are as follows:

Name & Attendance of Directors	Board	Audit Committee ("AC")	Nominating Committee ("NC")	Remuneration Committee ("RC")
No. of Meetings held:	5	5	1	1
Tan Ah Lam (Executive Chairman)	5	NM	1	NM
Tan Leau Kuee @ Tan Chow Kuee (Chief Executive Officer and Executive Director)	5	NM	NM	NM
Tan Lian Chew (Executive Director)	5	NM	NM	NM
Dr. John Chen Seow Phun (Lead Independent Director)	5	5	NM	1
Koh Kim Wah (Independent Director)	5	5	1	1
M. Rajaram (Independent Director)	5	5	1	1

NM: Not a Member of the Committee

Executive Chairman and Chief Executive Officer

The Board subscribes to the principles set out in the Code on the separation of the roles of the Executive Chairman and the Chief Executive Officer ("CEO"). The roles and responsibilities of the Executive Chairman and CEO in the Company are distinct and separate. This is to ensure appropriate balance of power and authority, accountability and decision making.

Since the Executive Chairman and the CEO are immediate family members and the Executive Chairman is part of the management team, the independent directors formed half of the composition of the Board. The Company believes that there is a good balance of power and authority within the Board and no individual or small group can dominate the Board's decision-making process. In addition, the independent directors have demonstrated their commitment in their roles and are expected to act in good faith and in the best interest of the Company. In addition, the AC, NC and RC are chaired by independent directors. The Board keeps this situation under regular review and will make suitable recommendations should the circumstances change.

The Executive Chairman is responsible for leading the Board and facilitating its effectiveness, ensuring the Board members are provided with accurate, timely and clear information and approves the agenda of each Board Meeting. The Executive Chairman monitors communications between the Company and its shareholders, between Board and Management and between independent and non-independent directors with a view to encourage constructive relation and dialogue between them.

The CEO is the brother of the Executive Chairman. The CEO is responsible for overseeing the overall management and strategic operations of the Group. He bears executive responsibility for the Company's business, is instrumental in growing the business of the Company and for the working of the Board. He provides strong leadership and is overall in-charge of the Management and strategic operations of the Company.

CORPORATE GOVERNANCE REPORT

Based on the Code, it is recommended that each company shall appoints an independent director to be the Lead Independent Director where the Chairman and CEO are the same person, the Chairman and CEO are immediate family members, the Chairman is part of the management team and/or the Chairman is not an independent director. During the financial year, in consonance with the Company's commitment to the Code, Dr John Chen Seow Phun has been appointed as Lead Independent Director with effect from 28 August 2017.

NOMINATING COMMITTEE
(Code of Corporate Governance Principles 4 and 5)

The current members of the NC are:

Mr M. Rajaram (Chairman)
Mr Tan Ah Lam
Mr Koh Kim Wah

Mr M. Rajaram and Mr Koh Kim Wah are independent directors and are not associated with the substantial shareholders of the Company.

The Board has approved the written terms of reference of the NC. The functions of the NC among others, include the following:

a) Review and make recommendations to the Board on all candidates nominated for appointment to the Board;

b) Review and make recommendations to the Board on all new employment of related persons and Key Management Personnel and the proposed terms of their employment;

c) Review training and professional development programme for the Board;

d) Procure that at least one-third of the Board shall comprise independent Directors (or such other minimum proportion and criteria as may be specified in the Code from time to time);

e) Identify and make recommendations to the Board as to the Directors who are to retire by rotation and to be put forward for re-election at each Annual General Meeting ("AGM") of the Company, having regard to the Directors' contribution and performance, including independent Directors;

f) Conduct vigorous review of the independence of any Director who had served on the Board beyond nine (9) years from the date of his appointment, and the Board should explain why any such Director should be consider independent;

g) Determine whether a Director is independent (taking into account the circumstances set out in the Code and other salient factors);

h) Propose a set of objective performance criteria to the Board for approval and implementation, to evaluate the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board;

i) Decide if a Director is able to and has carried out his duties adequately as a Director of the Company, taking into consideration the Director's number of listed company board representatives and other principal commitments; and

j) Put in place plans for succession, in particular, the Chairman of the Board and the CEO.

In search and nomination process for new directors, the NC identifies the key attributes that an incoming director should have, which is based on a matrix of the attributes of the existing Board and the requirement of the Group. After the Board endorsed the key attributes, the NC taps on the resources of the directors' personal contacts and recommendations of potential candidates, and proceed with the shortlisting process. If the candidates identified from this process are not suitable, executive recruitment agencies may be appointed to assist in the search process. Interviews are set up with potential candidates for NC members to assess them, before a decision is reached.

For the year under review, the NC evaluated the Board's performance as a whole. The assessment process adopted both quantitative and qualitative criteria, such as return on equity, the success of the strategic and long-term objectives set by the Board and the effectiveness of the Board in monitoring the Management's performance against the goals that had been set by the Board.

The NC also evaluate the contribution of each Director to the effectiveness of the Board by having the Directors complete a questionnaire. The findings of the above were analysed and discussed with a view to implementing certain recommendations to further enhance the effectiveness of the Board. The Chairman will act on the results of the performance evaluation and the recommendation of the NC, and where appropriate, in consultation with the NC, new members may be appointed or resignation of directors may be sought. No external facilitator was used in FY2018.

The NC, in assessing the contribution of each director, had considered his attendance and participation at Board and Board Committees Meetings, his qualification, experience and expertise and the time and effort dedicated to the Group's business and affairs including management's access to the directors for guidance or exchange of views as and when necessary.

For FY2018, to enhance greater transparency and good corporate governance, the Company with the recommendation of NC has engaged RHTLaw Taylor Wessing LLP, an independent professional consultant (the "Consultant") to conduct rigorous review of self-assessment, evaluation on the independence of Dr John Chen Seow Phun, Mr Koh Kim Wah, Mr M. Rajaram ("Independent Evaluation"). At the conclusion of the Independent Evaluation, the members of NC were satisfied with the findings and documents presented by the Consultant and unanimously agreed and confirm that all the three (3) Directors, namely Dr John Chen Seow Phun, Mr Koh Kim Wah and Mr M. Rajaram are considered independent. Each member of the NC has abstained from voting on any resolution related to their re-election and re-designation.

The Company's Articles of Association require one-third of its Directors, other than the Managing Director, to retire by rotation and subject themselves for re-election by shareholders at every AGM. No Director shall stay in office for more than three years without being re-elected by shareholders. A retiring Director is eligible for re-election.

The dates of initial appointment, last re-election/ re-appointment and other directorships of each of the Directors are set out below:

Director	Position	Date of Initial Appointment	Date of Last Re-Election	Membership of Board Committee	Directorship/ Chairmanship both present and those held over the preceding three years in other listed company
Tan Ah Lam	Executive Chairman	31 March 1972	28 July 2016	Member of Nominating Committee	Present NIL Past three years NIL
Tan Leau Kuee @ Tan Chow Kuee	Executive Director and CEO	24 September 1990	28 July 2017	–	Present NIL Past three years NIL
Tan Lian Chew	Executive Director	22 November 1983	28 July 2016	–	Present NIL Past three years NIL

Director	Position	Date of Initial Appointment	Date of Last Re-Election	Membership of Board Committee	Directorship/ Chairmanship both present and those held over the preceding three years in other listed company
Dr John Chen Seow Phun	Lead Independent Director	18 September 2002	28 July 2017	Chairman of Audit Committee Member of Remuneration Committee	Present 1. OKP Holdings Limited 2. Hanwell Holdings Ltd 3. Matex International Limited 4. Tat Seng Packaging Group Ltd 5. HLH Group Limited 6. Fu Yu Corporation Limited 7. Pavillon Holdings Ltd Past three years NIL
Koh Kim Wah	Independent Director	28 July 2005	28 July 2016	Chairman of Remuneration Committee Member of Audit Committee and a member of Nominating Committee	Present NIL Past three years NIL
M Rajaram	Independent Director	28 July 2005	28 July 2016	Chairman of Nominating Committee Member of Audit Committee and a member of Remuneration Committee	Present 1. Global Palm Resources Holdings Ltd Past three years NIL

Although the Independent Directors hold directorships in other companies which are not within the Group, the Board is of the view that such multiple board representations do not hinder them from carrying out their duties as Directors. These Directors would widen the experience of the Board and give it a broader perspective. The Board does not prescribe a maximum limit on the number of listed company representations a Director may hold, as the Board believes that a Director can only determine by himself the number of board representations he can manage and the more appropriate measure is the ability of such Director. The Board has confirmed that the Independent Directors have committed sufficient time, resources and expertise to the affairs of the Company to ensure their compliance with the Code.

The NC is also responsible for determining annually and as and when circumstances required, the independence of Directors, bearing in mind the salient factors set out in the Code as well as other relevant circumstances and fact. In its annual review, the NC, having considered the guideline set out in the Code, confirmed that Dr John Chen Seow Phun, Mr Koh Kim Wah and Mr M. Rajaram remained independent in their judgment and can continue to discharge their duties objectively. Dr John Chen Seow Phun, Mr Koh Kim Wah and Mr M. Rajaram abstained from deliberating in respect of their independence status respectively.

The Directors retiring by rotation pursuant to Article 91 of the Company's Articles of Association at the forthcoming AGM are Mr Tan Ah Lam and Mr Tan Lian Chew.

The NC recommended to the Board that Mr Tan Ah Lam and Mr Tan Lian Chew be nominated for re-election as Directors of the Company at the forthcoming AGM.

In making the recommendation, the NC evaluates such Director's competency, commitment, contribution and performance, such as his attendance at meetings of the Board and Board Committees, where applicable, participation, candour and any special contributions.

There is no alternate Director on the Board.

REMUNERATION COMMITTEE
(Code of Corporate Governance Principles 7, 8 and 9)

The current members of the RC comprise entirely of Non-Executive Directors. All of them including the Chairman, are independent. The members of the RC are:

Mr Koh Kim Wah (Chairman)
Mr M. Rajaram
Dr John Chen Seow Phun

The Board has approved the written terms of reference of the RC. The functions of the RC, among others, include the following:

a) Recommend to the Board a framework of remuneration for the Board and the Key Management Personnel of the Group covering all aspects of remuneration such as Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind;

b) Propose to the Board, appropriate and meaningful measures for assessing the executive Directors' performance;

c) Determine the specific remuneration package for each executive Director;

d) Consider the eligibility of Directors for benefits under long-term incentive schemes;

e) Consider and recommend to the Board the disclosure of details of the Company's remuneration policy, level and mix of remuneration and procedure for setting remuneration and details of the specific remuneration packages of the Directors and Key Management Personnel of the Company to those required by law or by the Code; and

f) Determine the specific remuneration package (including the base/fixed salary, allowances, bonuses, benefits-in-kind and performance-related incentives) for each executive Director and the CEO of the Company (or executive of similar rank) if he is not an executive Director.

In carrying out the above, the RC may obtain independent external legal and other professional advice as it deems necessary. The expenses of such advice will be borne by the Company. No external remuneration consultant was used in FY2018.

The Company has no share-based compensation schemes or any long-term scheme involving the offer of shares or option in places.

In setting remuneration packages for Directors and Key Management Personnel of the Company, the pay and employment conditions within the industry and in comparable companies are taken into consideration. The RC seeks to establish and maintain an appropriate and competitive level of remuneration to attract, retain and motivate Directors and Key Management Personnel. The RC also ensures that the remuneration policies support the company's objectives and strategies. The remuneration policy for key executives follows the guidelines laid down by the National Wages Council and also meeting key performance indicators (KPIs) for variable payment of performance bonus. These KPIs would include achieving targeted Group's profitability, project management capabilities, timely completion of projects, targeted profit margins and safety standards set by customers. Further, the Company's performance, the responsibility and performance of the individual key executive are taken into consideration. The RC recommends the remuneration packages of key executives for the Board's approval.

All members of RC are abstained from deciding on its own remuneration.

In preparation for the extent of termination of executive directors' and key management personnel's contract of service, the RC reviews such contracts of services and institutes safeguards for fair and reasonable termination clauses which are not overly generous.

Remuneration and Benefits of Directors and Top Five Key Management Personnel

The following table shows a breakdown of the remuneration of Directors/CEO for FY2018:

Directors/CEO	Total Remuneration	Base Salary(a)	Variable Payment(b)	Other Benefits(c)	Directors' Fees(d)	Total
	$'000	%	%	%	%	%
Tan Leau Kuee @ Tan Chow Kuee	560	82	–	18	–	100
Tan Ah Lam	497	97	–	3	–	100
Tan Lian Chew	202	100	–	–	–	100
Dr. John Chen Seow Phun	85	–	–	–	100	100
M. Rajaram	65	–	–	–	100	100
Koh Kim Wah	65	–	–	–	100	100

(a) Base Salary includes fixed allowance, contractual bonus and employer's CPF contribution.

(b) Variable Payment includes performance bonus and non-contractual bonus.

(c) Other Benefits refer to benefit-in-kind such as club and car benefits.

(d) Independent Directors are paid Directors' fees inclusive of attendance fees, subject to approval at the AGM.

Both Mr Tan Ah Lam and Mr Tan Leau Kuee @ Tan Chow Kuee have service contracts with the Company. Their compensations consist of salary, bonus, and performance awards that are dependent on the performance of the Group. The performance-related awards form a significant portion of their compensation. Mr Tan Lian Chew's compensation consists of salary and bonus. All of them do not receive Directors' fees.

The Non-Executive and Independent Directors do not have any service contracts with the Company. The Non-Executive and Independent Directors receive directors' fees in accordance with their level of contributions, taking into account factors such as effort and time spent, as well as the responsibilities and obligations of the Directors. The compensation should be appropriate and not excess to the extent that the independence could be compromised. The RC would consider, if necessary, implementing schemes to encourage non-executive directors to hold shares in the Company so as to align the interests of such non-executive directors with the interests of the shareholders. The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Director and Key Management Personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Company should be able to avail itself to remedies against the Executive Director in the event of such breach of fiduciary duties.

Directors' fees are recommended by the Board for approval at the Company's AGM.

The annual remuneration of top five Key Management Personnel for FY2018 is as follows:

Key Management Personnel	Base Salary[(a)] %	Variable Payment[(b)] %	Other Benefits[(c)] %	Total %
S$250,000 to S$499,999				
Tan Yew Kun (note 1)	86	–	14	100
Tan Yaw Song (note 2)	91	8	1	100
Below S$250,000				
Tan Hak Jin (note 3)	100	–	–	100
Lim Chin Boo Paul	100	–	–	100
Tan Puay Chye Leon	100	–	–	100

Notes:

1) Tan Yew Kun is also a Director of the Company's subsidiary, Asia Process Industries Pte Ltd.

2) Tan Yaw Song is also a Director of the Company's subsidiary, Hiap Seng Engineering (Thailand) Co. Ltd.

3) Tan Hak Jin is also a Director of the Company's subsidiaries, Hiap Seng Engineering (M) Sdn Bhd, Hiap Seng Engineering (Shanghai) Co. Ltd, Hiap Seng Engineering (Thailand) Co. Ltd and ProEn Scaffold Pte Ltd..

The aggregate amount of the remuneration paid to the abovementioned Key Management Personnel is S$1,571,000. It is in the best interest of the Company for not disclosing the details of the remuneration of each Director and Key Management Personnel to maintain confidentiality of remuneration matters, given the competitive conditions in the industry and poaching of employees from within the same industry. Instead, the Company is disclosing the remuneration of each Director in the nearest thousand dollars and Key Management Personnel in bands of S$250,000 up to S$499,999. The aggregate amount of the remuneration paid to the Directors and top five (5) Key Management Personnel in FY2018 was approximately S$3,045,000.

Remuneration of employees related to directors or substantial shareholders

Apart from Messrs Tan Ah Lam and Tan Leau Kuee @Tan Chow Kuee, there are 9 (2017: 8) other employees of the Group who are shareholders of or related to the shareholders of Tan Kuay Hoe Holdings Pte Ltd, a substantial shareholder of the Company. The aggregate remuneration of such employees (excluding remuneration for Messrs Tan Ah Lam and Tan Leau Kuee @Tan Chow Kuee) for the financial year ended 31 March 2018 was S$1,856,000 (FY2017: S$1,804,000).

The remuneration of Executive Directors of the Company and all employees of the Group who are related to any of the Directors or substantial shareholders of the Company will be reviewed annually by the RC of the Company.

The number of employees who are immediate family members of a Director, and whose remuneration exceed S$50,000 during the financial year are as follows:

Immediate family members	Relationship with director or CEO	Base Salary[(a)] %	Variable Payment[(b)] %	Other Benefits[(c)] %	Total %
S$450,000 to S$499,999					
Tan Yew Kun	Brother of Tan Ah Lam and Tan Leau Kuee	86	–	14	100
Tan Yaw Song	Brother of Tan Ah Lam and Tan Leau Kuee	91	8	1	100
S$150,000 to S$449,999					
None					

Immediate family members	Relationship with director or CEO	Base Salary[(a)] %	Variable Payment[(b)] %	Other Benefits[(c)] %	Total %
S$100,000 to S$149,999					
Tan Yeow Lan	Sister of Tan Ah Lam and Tan Leau Kuee	100	–	–	100
Tan Phuay Hong	Son of Tan Ah Lam	100	–	–	100
Tan Biby Valarie	Daughter of Tan Leau Kuee	100	–	–	100

RISK MANAGEMENT AND INTERNAL CONTROLS
(Code of Corporate Governance Principles 11)

The Board is responsible for the governance of risk and is fully aware of the need to put in place a sound system of the risk management and internal controls to safeguard the Shareholders' interests and the Group's assets. On an annual basis, the internal audit function prepares the internal audit plan taking into consideration the risks identified which is approved by the AC and the audits are conducted to assess the adequacy and the effectiveness of the Group's internal control system put in place, including financial, operational, compliance, information technology controls and risk management systems. Any material non-compliance or lapses in internal controls, together with recommendation for improvement are reported to the AC.

The Group's internal controls and systems are designed to provide reasonable, but not absolute, assurance as to the integrity and reliability of the financial information and to safeguard and maintain the accountability of the assets.

The Board has established a separate Risk Management Work Team to assist in carrying out its responsibility of overseeing the Company's risk management framework and policies. The Risk Management Work Team would determine the Group's levels of risk tolerance and risk policies, and oversees the Management in the design implementation and monitoring of the risk management and internal control systems. The Board would also monitor the Group's risks through the work performed by the AC, Risk Management Work Team, internal auditors and external auditors.

During the financial year, the AC had reviewed the existing internal control systems, work performed by the internal and external auditors and reviews performed by the Management, is not aware of any issue causing it to believe that the system of internal controls as inadequate and the same was reported to the Board. Based on the abovementioned review, the Board with the concurrence of the AC is of the opinion that there are adequate and effective risk management and internal controls systems in the Company in addressing financial, operational, compliance and information technology controls.

The Board regularly reviews the effectiveness of all internal controls, including operational controls.

AUDIT COMMITTEE ("AC")
(Code of Corporate Governance Principles 12)

The current members of the AC comprise entirely of Non-Executive Directors. All of them including the Chairman, are independent. The members of the AC are:

Dr John Chen Seow Phun (Chairman)
Mr Koh Kim Wah
Mr M. Rajaram

The Board is of the view that the members of the AC are appropriately qualified, having accounting or related financial management expertise or experience as the Board interprets such qualification, to discharge their responsibilities.

The Board has approved the written terms of reference of the AC. The functions of the AC, among others, include the following:

a) Review with external auditors the audit plan, their evaluation of the system of internal accounting controls, their letter to Management and their audit report;

b) Review and report to the Board at least annually the adequacy and effectiveness of the Company's internal control, including financial, operational, compliance and information technology controls and risk management policies and system established by the Management at least once a year;

c) Review the Group's financial results and the announcements before submission to the Board for approval;

d) Review the assistance given by Management to external and internal auditors;

e) Review significant findings of internal investigations;

f) Review the scope, results and cost effectiveness of the external audit and the independence and objectivity of the external auditors;

g) Consider the appointment/re-appointment of the external auditors;

h) Review interested person transactions;

i) Other functions as required by law or the Code; and

j) Meet the internal and external auditors without the presence of Management at least once a year.

The AC meets quarterly and also holds informal meetings and discussions with the Management from time to time. The AC has full discretion to invite any Director or executive officer to attend its meetings.

The AC has been given full access to and is provided with the co-operation of the Company's Management and authority to investigate any matter within it terms of reference. In addition, the AC has independent access to both internal and external auditors. The AC meets with the internal and external auditors without the presence of Management. The AC has reasonable resources to enable it to discharge its functions properly.

The AC is kept abreast by the Management of changes to accounting standards, the SGX-ST Listing Rules and other regulations which could have an impact to the Group's business and financial statements.

The AC has reviewed the quarterly and full-year financial statements of the Group in conjunction with the report issued by the external auditors before announcements on SGXNET. The following significant matters were highlighted by external auditors as key audit matters (KAMs) for the financial year ended 31 March 2018, which were discussed with management and reviewed by the AC.

Key Audit Matters	**How the AC reviewed these matters and what decisions were made**
Construction contracts	The AC reviewed the approach and methodology applied to the revenue recognition on construction contracts. The AC considered the approach and methodology adopted by the Group to be appropriate for its nature of business and they are in line with prevailing accounting standards and business practices with reference to surveys of work performed and certification by third parties where applicable. Revenue recognition on construction contracts was also an area of focus for the external auditor, who has included this item as a key audit matter in its audit report for the financial year ended 31 March 2018. Refer to page 14 of this annual report.

Key Audit Matters	How the AC reviewed these matters and what decisions were made
Accounting for acquisition of business	The AC considered and reviewed the appropriateness of the assumptions and methodologies used by management in the allocation of the purchase price to goodwill and other identifiable assets and liabilities. The AC concurred with management's conclusion that goodwill on acquisition of $503,000 was recognised as at 31 March 2018 and that the disclosures in the financial statements were appropriate. Accounting for acquisition of business was also an area of focus for the external auditor. The external auditor has included this item as a key audit matter in its audit report for the financial year ended 31 March 2018. Refer to page 15 of this Annual Report.
Goodwill impairment assessment for Thailand CGU	Goodwill is required to be assessed annually for impairment. The AC has reviewed the methodology used by management to derive the recoverable amount of goodwill for impairment assessment. In addition, the AC discussed with the external auditor on their review of the reasonableness and relevance of the key assumptions used in the impairment assessment. The AC concurred with management's conclusion that an impairment loss of $4.4 million was recognised for the Thailand CGU as at 31 March 2018 as the carrying amount of the CGU was lower than its recoverable amount and that the disclosures in the financial statements were appropriate. Goodwill impairment assessment for the Thailand CGU was also an area of focus for the external auditor. The external auditor has included this item as a key audit matter in its audit report for the financial year ended 31 March 2018. Refer to page 16 of this Annual Report.

No former partner or Director of the Company's existing auditing firm or audit corporation is a member of the AC.

The AC having reviewed the independence and objectivity of the external auditors, is satisfied with the independence and objectivity of the external auditors. The audit fee and non-audit fee for FY2018 paid/payable to the external auditor of the Company, Messrs PricewaterhouseCoopers LLP ("PWC") were S$210,000 and S$76,000 respectively.

The AC is also satisfied that the external auditor, PWC is able to meet the audit obligations of the Company and is pleased to recommend to the Board of Directors, the nomination of PWC for re-appointment at the forthcoming AGM.

The Group has appointed different auditors for its overseas subsidiaries and associated companies as well as Singapore incorporated associated companies. The Board and the AC are satisfied that the appointments would not compromise the standard and effectiveness of the audit of the Group.

In appointing the audit firms for the Group, the AC is satisfied that the Company has complied with the Listing Rules 712, 715 and 716 of the Listing Manual.

The AC has established a whistle blowing policy to provide persons employed by the Group with a confidential and independent channel to report any suspicions of fraud and non-compliance with regulations and Company policies, to the appropriate authority for resolution, without any prejudicial implications to these employees. The AC is vested with the power and authority to receive, investigate and enforce appropriate action when any such suspicion is brought to its attention.

During the financial year, there was no material whistle-blowing report received by the AC regarding the abovementioned concerns.

In addition, the AC has established a fraud risk management policy to facilitate the development of controls aimed to prevent, detect and respond to fraud against the Group.

INTERNAL AUDIT
(Code of Corporate Governance Principle 13)

KPMG Services Pte Ltd has been appointed as the Company's internal auditor for the purposes of reviewing the effectiveness of the Company's material internal controls. KPMG Services Pte Ltd has adopted the Standards for Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The internal auditor reports directly and primarily to the Chairman of the AC with administrative reporting to the CEO. The appointment, removal, evaluation and compensation of the internal auditor is approved by the AC. The AC will ensure that the internal auditor is qualified and appropriate to undertake the tasks and have unfettered access to all the company's documents in carrying out its entrusted tasks.

The AC reviews annually the effectiveness of the internal auditors and internal audit function, the scope and results of internal audit procedures and ensures that the internal audit function is adequately resourced and effective.

The AC is satisfied that the internal audit function is staffed by suitably qualified and experienced professionals with the relevant experience.

SHAREHOLDER RIGHT AND RESPONSIBILITIES
(Code of Corporate Governance Principles 10, 14, 15 and 16)

The Board aims to provide the shareholders with a balanced and understandable assessment of the Company's and the Group's performance, position and prospects.

In line with the Listing Manual of SGX-ST, the Board provides a negative assurance statement to the shareholders in respect of the interim financial statements. For the financial year under review, the CEO and Chief Financial Officer ("CFO") have provided assurance to the Board on the integrity of the Group's financial statements respectively.

Further, the Company has procured undertakings in the format set out in Appendix 7.7 from all its Directors and executive officers pursuant to Rule 720(1) of the Listing Manual of SGX-ST.

The Board reviews and approves the financial results as well as any announcements before its release. In presenting the annual financial statements and quarterly announcements to shareholders, the Board aims to provide to the shareholders with analysis and a balanced and understanding assessment of the Company's performance, position and prospects.

The Company recognises the importance of providing the Board with a continual flow of relevant information on an accurate and timely basis in order that it may effectively discharge its duties.

The Company does not practise selective disclosure. Information is disseminated via SGXNET, news releases and the Company's website. The Company ensures that price-sensitive information is publicly released, and is announced on an immediate basis where required under the Listing Manual of the SGX-ST. Where an immediate announcement is not possible, the announcement is made as soon as possible to ensure that shareholders and the public have fair access to the information.

All shareholders of the Company will receive the Annual Report and the notice of the AGM. The notice is also advertised in a local newspaper and made available on SGXNET. The Company encourages shareholders' participation at AGMs and all shareholders are given the opportunity to voice their views and to direct queries regarding the Group to Directors, including the chairperson of each of the Board Committees. The Chairman of the Audit, Remuneration and Nominating Committees and all directors of the Company are required to attend the AGMs. The external auditors are also present to assist the Directors in addressing any relevant queries by shareholders. The Company ensures that there are separate resolutions at general meetings on each distinct issue.

Besides the AGM, the Company believes in regular, effective and fair communication with its shareholders and is committed to hearing shareholders' view and addressing their concerns where possible. The Company has an investor relations team which attends to their queries or concerns. The investor relations team also manages the dissemination of corporate information to the media, public, institutional investors and public shareholders, and act as a liaison point for such entities and parties.

The Company is committed to disclose as much relevant information as is possible to shareholders in a timely basis through SGXNet and other information channels, including a will-maintained and update corporate website – http://www.hiapseng.com in which contain various investor-related information on the Company which serves as an important resource for investors.

The Company does not have an investor relations policy but considers advice from its corporate lawyers and professionals on appropriate disclosure requirements before announcing material information to shareholders.

A shareholder who is entitled to attend and vote, may either vote in person or through the appointment of one or two proxies in absentia. The Company's Articles of Association allow a member of the Company to appoint one or two proxies to attend and vote at general meetings.

During the AGM, the shareholders are invited to participate in the question-and-answer session. The Company Secretary, if required, will inform shareholders of the rules, including voting procedures, which govern general meetings of shareholders.

The Company will review its Articles of Association from time to time and make such amendments to the Articles and Association to be in line with the applicable requirements or rules and regulations governing the continuing listing obligation in the SGX-ST Listing Rules.

Resolutions at general meeting are on each substantially separate issue. All the resolutions at the general meetings are single item resolution.

The Company will prepare the detailed Shareholders' Meeting minutes, which include comments and the questions received from shareholders, if available. The Company will be pleased to make these minutes available to shareholders upon their request.

When the opportunities arise, the Executive Chairman, CEO and Executive Directors will solicit and try to understand the views of the shareholders before and/or after General Meetings of the Company.

The Company has been conducting voting by poll. An announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages will be made immediately after the AGM/EGM is concluded.

The Company does not have a fixed policy on payment of dividends at present. The frequency, form and number of dividends to be declared depend on the Company's profit, cash flow, capital requirements, investment and other factors as the Board deems appropriate.

RISK MANAGEMENT
(Listing Manual Rule 1207(4)(b)(iv))

The Board has appointed KPMG Services Pte Ltd in FY2013 to perform an exercise to facilitate its review of the Company's existing risk management processes, including processes for identification and assessment of business risks and the appropriate measures taken to mitigate these risks. The Enterprise Risk Assessment has been completed and the results of the exercise has been brought to the attention of the AC and Directors.

The Management regularly reviews the Group's business and operational activities to identify areas of potential business risk as well as appropriate measures to control and mitigate these risks. The Management reviews all significant control procedures and will highlight any significant potential matters to the AC and the Board.

The Board has received assurance from the Executive Chairman, CEO and the CFO at the Board Meeting held on 23 May 2018 that the Group's risk management and internal control systems in place is adequate and effective in addressing the material risks in the Group in its current business environment including material financial operational, compliance and information technology risks and also that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's business operations and finances.

DEALINGS IN SECURITIES
(Listing Manual Rule 1207(19))

The Company has adopted an internal compliance code with respect to dealings in securities by Directors, and officers of the Group. Directors, Management and officers of the Group who have access to price-sensitive, financial or confidential information are not permitted to deal in the Company's shares on short-term considerations and during the periods commencing two weeks before the announcement of the Group's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Group's full-year financial statements or when they are in possession of unpublished price-sensitive information on the Group.

MATERIAL CONTRACTS
(Listing Manual Rule 1207(8))

Save for the service agreements between the executive Directors and the Company, there are no material contracts of the Company or its subsidiaries involving the interest of the CEO or any Director or controlling shareholders subsisting at the end of the financial year ended 31 March 2018.

INTERESTED PERSON TRANSACTIONS
(Listing Manual Rule 907)

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

There are no interested person transactions entered into during the financial year under review.

INFORMATION ON DIRECTORS

Tan Ah Lam, Frankie
Executive Chairman

Mr Tan Ah Lam has more than 40 years of experience in the business of providing mechanical engineering services to the petroleum and petrochemical industry. Mr Tan has been with the Group since 1962. In 2007 he was appointed as Executive Chairman and CEO. On 1 April 2017, Mr Tan relinquished his position as CEO in order to facilitate the Company's succession plan. However, he remains as Executive Chairman of the Company. Mr Tan is responsible for leading the Board and facilitating its effectiveness, ensuring the Board members are provided with accurate, timely and clear information and approves the agenda of each Board Meeting. He monitors communications between the Company and its shareholders, between Board and Management and between independent and non-independent directors with a view to encourage constructive relation and dialogue between them. He is also the Chairman of Tan Kuay Hoe Holdings Pte Ltd, a substantial shareholder of the Company.

Tan Leau Kuee, Richard
Executive Director and CEO

Mr Tan Leau Kuee has more than 35 years of experience in the business of providing mechanical engineering services to the petroleum and petrochemical industry. Mr Tan has been with the Group since 1971 and was appointed Executive Director in 1990 and is also one of the key persons behind the growth and business expansion of the Group. On 1 April 2017, Mr Tan was appointed as CEO of the Group. He is responsible for overseeing the overall management and strategic operations of the Group. He bears executive responsibility for the Company's business, is instrumental in growing the business of the Company and for the working of the Board. He provides strong leadership and is overall in-charge of the Management and strategic operations of the Company. He is also a director of Tan Kuay Hoe Holdings Pte Ltd, a substantial shareholder of the Company.

Tan Lian Chew
Executive Director (Finance)

Mr Tan Lian Chew has over 40 years of experience in accounting, taxation, financial and corporate matters from his working with the then Inland Revenue Department, public accounting firms and the management consultancy companies, TNL Corporate Services Pte Ltd and TNL Corp-Sec Services Pte Ltd which he co–founded. Mr Tan is a full member of the Singapore Institute of Directors (SID) and is also a member of the Singapore Institute of Accredited Tax Professionals (SIATP). He oversees the Group's key corporate and financial matters such as corporate planning, investment evaluations and tax planning. He has been associated with the Company since its incorporation in 1971 and was appointed a Director in 1983. He is also a director of several other private companies in Singapore.

Dr John Chen Seow Phun
Lead Independent Director

Dr John Chen Seow Phun was appointed as an Independent Director on 18 September 2002. He holds a PhD in Electrical Engineering from the University of Waterloo, Canada. Dr Chen was a Member of Parliament from September 1988 to April 2006. From March 1997 to June 1999, he was the Minister of State for Communications. From June 1999 to November 2001, he was the Minister of State for Communications and Information Technology and Minister of State for National Development. He is presently the Executive Chairman of Pavillon Holdings Ltd, and the Chairman of SAC Capital Pte Ltd. He also sits on the Board of a number of publicly listed companies.

Koh Kim Wah
Independent Director

Mr Koh Kim Wah was appointed as an Independent Director 28 July 2005. Mr Koh, a Colombo Plan Scholar, graduated from University of Canterbury, New Zealand with a 1st class Honours degree in Chemical Engineering in 1967 and later attended the Advance Management Programme at Harvard Business School in 1992. He has more than 35 years of diversified administrative, engineering, marketing and management experience in a multi-national petroleum company, where he retired as country president. Mr Koh is also a director of Smartt Papers International Pte Ltd and Quadstone Energy Ltd.

M. Rajaram
Independent Director

Mr M. Rajaram was appointed as an Independent Director on 28 July 2005. Mr Rajaram graduated from National University of Singapore with a Bachelor of Laws (LLB) Honours degree and obtained MBA from Maastricht School of Management. He is a Fellow of Singapore Institute of Arbitrators and the Chartered Institute of Arbitrators. Mr Rajaram is an Advocate & Solicitor of Supreme Court of Singapore since 1980. He is currently the Executive Chairman of Straits Law Practice LLC where his main areas of works include Corporate Finance and Restructuring, Insolvency, Arbitration and Mediation, Mergers and Acquisitions and Banking. He is a Past Chairman of Singapore Indian Chambers of Commerce & Industry and the Vice Chairman of Singapore Business Federation. He is also a member of the Presidential Council for Religious Harmony. He is a recipient of a Public Service Medal (PBM) given in recognition of his service to the community. He is an independent Director of Golden Palm Resources Holdings Limited, a listed Company and is a director of several other non listed public and private limited companies in Singapore.

INFORMATION ON KEY EXECUTIVE OFFICERS

Tan Yew Kun
Director of Plant Maintenance

Mr Tan Yew Kun joined the Group in 1972. He is in charge of the Group's Plant Maintenance Department and the operations and management of Asia Process Industries Pte Ltd, a wholly-owned subsidiary of the Company. He has more than 35 years of experience in plant maintenance and construction for the petroleum and petrochemical industry.

Tan Yaw Song
Director of Projects

Mr Tan Yaw Song joined the Group in 1988. He oversees the Group's project operations and management. He has more than 25 years of working experience in plant maintenance and construction for the petroleum and petrochemical industry. He is currently also in charge of the operations of the Company's subsidiary, Hiap Seng Engineering (Thailand) Co., Ltd.

Tan Hak Jin
Chief Financial Officer

Mr Tan Hak Jin joined the Group in December 2004 as a Group Financial Controller and was promoted to Chief Financial Officer on 1 July 2009. He is responsible for the Group's reporting and accounting functions including corporate planning and investment analysis. Mr Tan graduated from Nanyang University in 1979 with a Bachelor of Commerce Degree in Accountancy and has over 30 years of working experience in accounting, financial and corporate matters. He is a member of the Institute of Singapore Chartered Accountants.

Lim Chin Boo Paul
General Manager

Mr Lim Chin Boo Paul joined the Group on 1 February 2010 as a General Manager and is responsible for the Group's business development and project services. Mr Lim graduated from National University of Singapore in 1985 with a Bachelor of Engineering (Mechanical) Degree and has more than 25 years of working experience in the utilities and energy industries in Singapore and other parts of Asia.

Tan Puay Chye Leon
Vice-President

Mr Tan Puay Chye Leon joined the Group in 2007. As a Vice-President of HS Compression & Process Pte Ltd, a subsidiary of the Company, he is in charge of the Group's gas compression and process business. Mr Tan graduated from the University of Birmingham in 2003 with a Bachelor Degree in Mechanical Engineering with 1st Class Honour followed by a Master Degree in Construction Management in 2004. He has about 10 years of working experience in the oil-and-gas industry.

STATISTICS OF SHAREHOLDINGS
As at 18 June 2018

Issued and Fully Paid-up Capital	-	S$36,450,000
Total number of issued shares excluding treasury shares	-	303,750,000
Total number of treasury shares	-	Nil
Class of shares	-	Ordinary shares
Voting rights	-	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	178	3.95	4,073	0.00
100 - 1,000	146	3.24	98,961	0.03
1,001 - 10,000	2,167	48.06	12,561,701	4.14
10,001 - 1,000,000	1,994	44.22	118,289,725	38.94
1,000,001 AND ABOVE	24	0.53	172,795,540	56.89
TOTAL	**4,509**	**100.00**	**303,750,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	TAN KUAY HOE HOLDINGS PTE LTD	70,788,639	23.30
2	CHENG BUCK POH @CHNG BOK POH	29,938,375	9.86
3	DBS NOMINEES (PRIVATE) LIMITED	11,439,300	3.77
4	CITIBANK NOMINEES SINGAPORE PTE LTD	10,061,064	3.31
5	GOO GUIK BING @ GOH GUIK BING	7,086,440	2.33
6	ANG LIAN HIN	6,243,600	2.06
7	SZE CHAIN FAI @ SZE SOOK SENG	4,102,251	1.35
8	TAN LIAN CHEW	3,601,761	1.19
9	TAN AH LAM	3,319,500	1.09
10	UOB KAY HIAN PRIVATE LIMITED	3,284,580	1.08
11	PHILLIP SECURITIES PTE LTD	2,777,400	0.91
12	RAFFLES NOMINEES (PTE) LIMITED	2,591,610	0.85
13	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	2,534,790	0.83
14	JOHN RITCHIE	1,990,000	0.66
15	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,842,390	0.61
16	LEW WING KIT	1,562,400	0.51
17	WONG TOON SAN	1,448,700	0.48
18	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,441,140	0.47
19	LIM KIAT	1,250,000	0.41
20	TAYERS HOLDINGS PTE LTD	1,220,500	0.40
	TOTAL	**168,524,440**	**55.47**

STATISTICS OF SHAREHOLDINGS

As at 18 June 2018

SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders) as at 18 June 2018

	No. of Ordinary Shares			
Name	**Direct Interest**	**%**	**Indirect Interest**	**%**
Tan Kuay Hoe Holdings Pte Ltd	70,788,639	23.30	–	–
Tan Ah Lam (Note 1)	3,319,500	1.09	70,788,639	23.30
Tan Leau Kuee @ Tan Chow Kuee (Note 2)	–	–	70,788,639	23.30
Cheng Buck Poh @ Chng Bok Poh (Note 3)	29,938,375	9.86	7,086,440	2.33
Goo Guik Bing @ Goh Guik Bing (Note 4)	7,086,440	2.33	29,938,375	9.86

Notes:

1) Mr Tan Ah Lam is deemed to have an interest in the shares held by Tan Kuay Hoe Holdings Pte Ltd by virtue of Section 7 of the Companies Act, Cap. 50.

2) Mr Tan Leau Kuee @ Tan Chow Kuee is deemed to have an interest in the shares held by Tan Kuay Hoe Holdings Pte Ltd by virtue of Section 7 of the Companies Act, Cap. 50.

3) Mr Cheng Buck Poh @ Chng Bok Poh is deemed to have an interest in the shares held by Mdm Goo Guik Bing @ Goh Guik Bing by virtue of the fact that he is the spouse of Mdm Goo Guik Bing @ Goh Guik Bing.

4) Mdm Goo Guik Bing @ Goh Guik Bing is deemed to have an interest in the shares held by Mr Cheng Buck Poh @ Chng Bok Poh by virtue of the fact that she is the spouse of Mr Cheng Buck Poh @ Chng Bok Poh.

FREE FLOAT

As at 18 June 2018, approximately 62.04% of the total number of issued shares of the Company was held in the hands of the public (on the basis of information available to the Company).

Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Hiap Seng Engineering Ltd (the "Company") will be held at Conference Room, 28 Tuas Crescent, Singapore 638719 on Friday, 27 July 2018 at 10.00 a.m. for the following purposes:

Ordinary Business

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 March 2018 together with the Directors' Statement and the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect Mr Tan Ah Lam as a director retiring pursuant to Article 91 of the Company's Articles of Association.

   (See Explanatory Note 1) **(Resolution 2)**

3. To re-elect Mr Tan Lian Chew as a director retiring pursuant to Article 91 of the Company's Articles of Association.

   (See Explanatory Note 2) **(Resolution 3)**

4. To approve the payment of Directors' fees of S$215,000 for the financial year ended 31 March 2018 (2017: S$212,000). **(Resolution 4)**

5. To re-appoint Messrs PricewaterhouseCoopers LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

Special Business

To consider and, if thought fit, to pass the following resolution as Ordinary Resolution, with or without any modifications:

7. Authority to allot and issue shares – Ordinary Resolution

   That, pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to:-

   (A) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

   (B) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, provided that:

   (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent. (50%) of the Company's total number of issued shares excluding treasury shares and subsidiary holdings (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent. (20%) of the Company's

total number of issued shares excluding treasury shares and subsidiary holdings (as calculated in accordance with sub-paragraph (2) below). Unless prior shareholder approval is required under the Listing Manual of the SGX-ST, an issue of treasury shares will not require further shareholder approval, and will not be included in the aforementioned limits.

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares excluding treasury shares and subsidiary holdings is based on the Company's total number of issued shares excluding treasury shares and subsidiary holdings at the time this Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier. **(Resolution 6)**

(See Explanatory Note 3)

By Order of the Board

Tan Hak Jin
Lee Pay Lee
Joint Company Secretaries

Singapore, 12 July 2018

Explanatory Note:

1. The relationship of Mr Tan Ah Lam with the Company's 10% shareholders can be found under section entitled 'Statistics of shareholding' in page 98 of the Annual report. Mr Tan Ah Lam is a brother of Mr Tan Leau Kuee @ Tan Chow Kuee. Save for the above, there is no relationship (including immediate family relationships) with the other Directors of the Company. Mr Tan Ah Lam will, upon re-election as a director of the Company, remain as the Executive Chairman and a member of the Nominating Committee of the Company. The detailed information of Mr Tan Ah Lam can be found in page 83 of Corporate Governance Report and page 94 of Information of Directors of the Annual Report.

2. The detailed information of Mr Tan Lian Chew can be found in page 83 of Corporate Governance Report and page 94 of Information of Directors of the Annual Report. There is no relationship (including immediate family relationships) with the other Directors, the Company or its 10% shareholders.

3. The Ordinary Resolution no. 6 proposed in item 7 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The aggregate number of shares (including any shares issued pursuant to the convertible securities) which the Directors may allot and issue under this Resolution will not exceed fifty per cent. (50%) of the Company's total number of issued shares excluding treasury shares and subsidiary holdings of the Company. For issues of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be issued will not exceed twenty per cent. (20%) of Company's total number of issued shares excluding treasury shares and subsidiary holdings of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue shares pursuant to any Instrument made or granted under this authority.

Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or two proxies to attend and vote instead of him. A proxy need not be a member of the Company.

2. Where a member appoints two proxies, he/she should specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy and if no percentage is specified, the first named proxy shall be treated as representing 100 per cent of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.

3. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two (2) proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different share or shares held by each member. Where such member appoints more than two (2) proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services license to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

4. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

5. The instrument appointing a proxy must be deposited at the registered office of the Company at 28 Tuas Crescent, Singapore 638719 not less than forty-eight hours (48) before the time for holding the Annual General Meeting.

Personal data privacy

By lodging an instrument appointing a proxy(ies) and/or representative(s), a Member (i) consents to the collection, use and disclosure of the Member's personal data by the Company (and its agents) for the purpose of the processing and administration by the Company (and its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (and its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the Member discloses the personal data of the Member's proxy(ies)and/or representative(s) to the Company (and its agents), the Member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (and its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Member's breach of warranty.

HIAP SENG ENGINEERING LTD

(Incorporated in the Republic of Singapore)
(Company Registration No. 197100300Z)

IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his vote (s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

Personal data privacy

By submitting an instrument appointing a proxy and/or representative, the Member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 12 July 2018.

ANNUAL GENERAL MEETING - PROXY FORM

I/We ______________________________ (Name)

of ______________________________ (Address)

being a member/members of **HIAP SENG ENGINEERING LTD** (the "Company") hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

or failing *him/her/them, the Chairman of the Meeting as *my/our proxy/proxies to vote for *me/us on *my/our behalf, at the Annual General Meeting of the Company (the "Meeting") to be held at Conference Room, 28 Tuas Crescent, Singapore 638719 on Friday, 27 July 2018 at 10.00 a.m. and at any adjournment thereof. *I/We direct *my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at *his/her/their discretion, as *he/she/they will on any matter arising at the Meeting.

No.	Ordinary Resolutions Relating to:	No. of Votes For*	No. of Votes Against*
	Ordinary Business		
1.	Audited Financial Statements for the financial year ended 31 March 2018 together with the Directors' Statement and the Auditors' Report thereon.		
2.	Re-election of Mr Tan Ah Lam as a director.		
3.	Re-election of Mr Tan Lian Chew as a director.		
4.	Approval of Directors' fees amounting to S$215,000.		
5.	Re-appointment of Messrs PricewaterhouseCoopers LLP as Auditors.		
	Special Business		
6.	Authority to issue shares.		

If you wish to exercise all your votes "For" or "Against", please tick (ü) within the box provided. Alternatively, please indicate the number of votes as appropriate. If no specified directions as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion.

Dated this ______ day of ________________ 2018

Total No. of Shares	No. of Shares
In CDP Register	
In Register of Members	

____
Signature(s) of Member(s)
or, Common Seal of Corporate Member

*Delete accordingly

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

1. A member entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead.

2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.

3. A proxy need not be a member of the Company.

4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two (2) proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different share or shares held by each member. Where such member appoints more than two (2) proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services license to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.

6. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 28 Tuas Crescent, Singapore 638719, not less than 48 hours before the time set for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

8. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

9. A corporation which is a member of the Company may, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore, authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting.

10. An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

GENERAL:

The Company shall be entitled to reject a proxy form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company. It is the appointor's responsibility to ensure that this proxy form is properly completed in all respects. Any decision to reject this proxy form on the ground that it is incomplete, improperly completed or illegible will be final and binding and neither the Company nor Boardroom Corporate & Advisory Services Pte. Ltd. accepts any responsibility for the consequences of such a decision.

Hiap Seng Engineering Ltd
Co. Reg. No.: 197100300Z

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