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MUN SIONG
ENGINEERING LIMITED

STRIVE FOR EXCELLENCE
FORGE AHEAD

ANNUAL REPORT 2015

VISION

We will become the preferred and most trusted turnkey solution provider to customers, colleagues, investors, business partners, and the communities where we work and live.

MISSION

We dedicate ourselves to be the preferred engineering service provider that thrives on Safety, Quality and Competitive Solutions to achieve customer satisfaction.

CONTENTS

CORPORATE PROFILE

Mun Siong Engineering Limited, is a company which has more than 4 decades of proven track record serving global leaders with strong competencies in providing plant services and turnkey projects in piping and steel structure fabrication, static and rotating mechanical equipment detailed engineering and supply. We are also capable of providing electrical and instrumentation services and scaffolding works for process plants and modules for the oil, gas, petrochemicals, energy, chemicals and power industries.

We are in the forefront when it comes to maintenance works and turnkey projects. We have completed numerous green and brownfield construction of plants and facilities projects, as well as turnaround and debottlenecking projects.

As an integrated service provider, Mun Siong Group is also able to provide innovative design and engineering solutions and the ability to deliver quality products and services to meet the most stringent criterion set by our business partners.

WE CONSTRUCT AND MAINTAIN WITH DETAILED ENGINEERING CAPABILITIES FOR THE PROCESS INDUSTRIES

CORPORATE STRUCTURE

MUN SIONG ENGINEERING LIMITED

Mechanical Engineering

- Fabrication and Erection of Steel Structures; Fixed Equipment and Piping Work
- Plant Shut-down / Turnaround Management
- Construction of Storage Tanks
- Revamps and Debottlenecking Projects
- Construction and Commission of Plants
- Exchanger Re-tubing
- Tube Shooting Services for Heat Exchanger
- On-site Flange Re-facing
- Ultra-high Pressure Abrasives Water-jet Cutting Services
- High-torque Rotary Drilling Services
- Mechanical De-coking of Heaters
- Anti-Corrosion and Anti-Wear Coatings (Curran Coating)
- Supply and Repair of Mechanical Seal




OHM ENGINEERING PTE LTD

Electrical & Instrumentation

- Transformers, Switchgears and Control Panel Installation and Maintenance
- Electrical and Instrumentation Installation and Maintenance
- Calibration and Testing of Instruments
- Loop Check, Testing and Pre-Commissioning
- Excavation and Cable Laying
- Design and Fabrication of Instrumentation and Control Systems
- Installation of Distribution Control System
- PLC Solutions

WING WAH INDUSTRIAL SERVICES PTE LTD

Rotating Equipment

- Servicing, Repairing and Overhauling of Equipment
- On-Site Removal, Repair and Installation of Equipment
- Dynamic Balancing of Rotors and Impellers
- Condition Monitoring
- Preventive Maintenance
- Fabrication and Assembly of Equipment Packages
- Supply of Pumps; Including Sizing and Specifications According to Standards

PEGASUS ADVANCE ENGINEERING PTE LTD

Scaffolding Works

- Construction of Tower, Hanging, Cantilever and Mobile Scaffold
- Provision of Special PE Designed Scaffold for Lifting and Platform Loading

MUN SIONG ENGINEERING SDN BHD

CORPORATE SOCIAL RESPONSIBILITY

The Group recognises the interconnection between business growth and sustainability. Therefore, the Group's Corporate Social Responsibility (CSR) framework is designed to deliver sustainable values to the society and at the same time, to ensure that the interest of our investors are adequately protected and the relevant regulatory requirements that the Group are subjected to are duly complied.

EMPLOYEES

The Group adopts fair employment, provides appropriate training, committed to observe and enhance the social well-being, as well as providing a safe and conducive working environment for our employees. The Group's Safety, Health and Environment Division establishes policies and procedures and reinforces them by conducting frequent safety campaigns and training to heighten the safety awareness of our employees to achieve zero loss time. In view of encouraging a healthier life, the Group also encouraged the employees to participate in the health and teambuilding events organized by the Health Promotion Board in 2015.


Employee Health Talk

COMMUNITY

Committed to enhancing the life of the underprivileged community, the Group has contributed in various ways towards several non-profit organisations for worthy causes in Singapore and other countries. As the ambassador of the Singapore Association for the Deaf, the Group has committed itself to participate and contribute towards their events, as well as the Christmas Fair & Walkathon, an annual fundraising event organised by the Children's Charity Association. The Group also believes that children can be nurtured into leaders of

tomorrow. Thus, it provides a bursary to the student of Singapore Institute of Technology, nurturing talents for their educational development and future employment needs.

SERVICES AND PRODUCTS EXCELLENCE

In Mun Siong, we firmly believe in taking a holistic approach towards business success and sustainable growth. The key principle in our services and products excellence is to ensure and achieve quality supplies; providing safe and reliable services to our business partners.

ENVIRONMENT

The Group's operation is managed strategically to minimize environmental impact and complies with all the applicable environmental regulations in its consumption of resources and generation of waste processes. The Group's Safety, Health and Environment Division establishes, regulates and enforces the relevant environmental policies for the Group. We have also implemented 5S (Sort, Simplify, Systematic, Standardise and Sustain), striving to achieve a safer, healthier, and more sustainable working environment for everyone.

Service Excellence, Our Commitment

Charity Trip

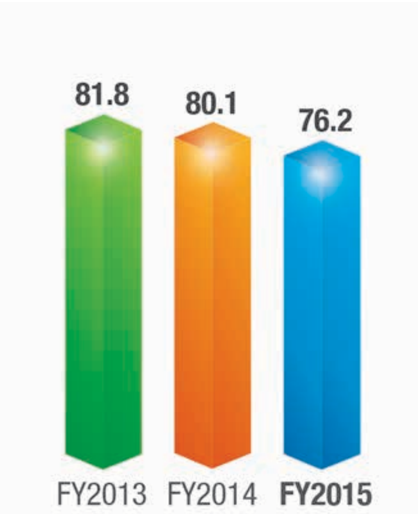
Wherever possible, our staff are encouraged to reduce, reuse and recycle to adopt energy saving measures. Such energy-saving measures include switching off the air-conditioners and lights during lunch hours, as well as turning off the power switches of equipment when it is not in use. We will continue to evaluate our environmental impact and be environmentally responsible whenever possible.



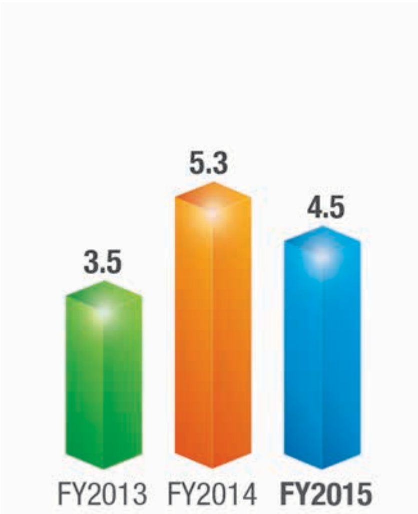
Employees Engagement Event

FINANCIAL HIGHLIGHTS

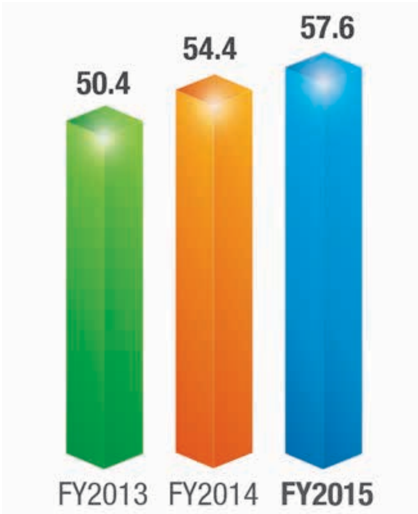
REVENUE (S$'M)



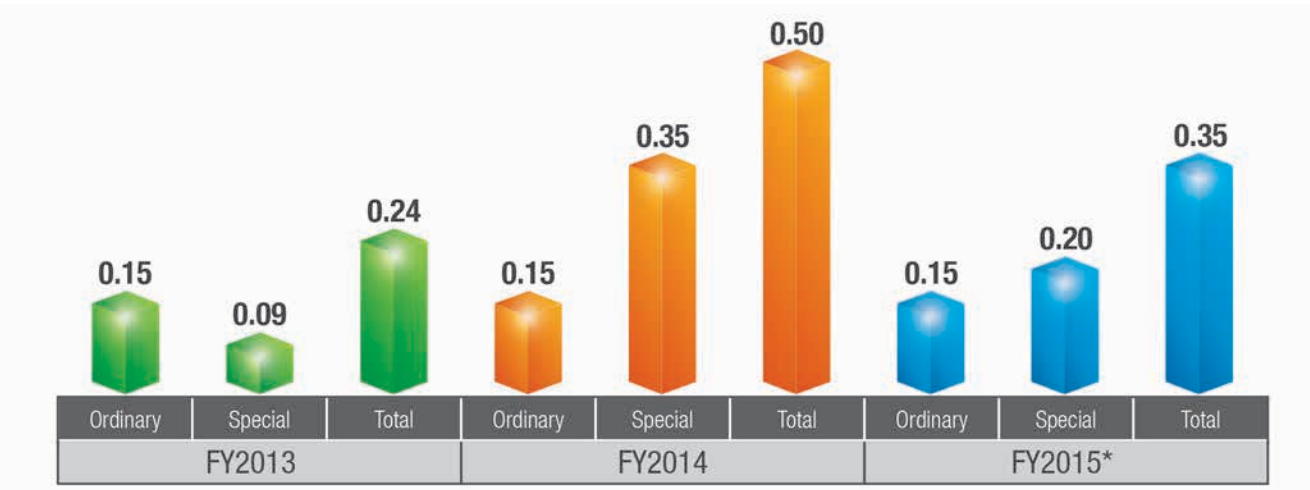
PROFIT BEFORE TAX (S$'M)



SHAREHOLDERS' FUND (S$'M)



DIVIDEND RATE PER SHARE (cent)



FINANCIAL CALENDAR 2016 (Tentative Dates)

19 February	Announcement of FY2015 Results
20 April	Annual General Meeting for FY2015
3 May	Announcement of 1Q FY2016 Results
27 May	Payment of Dividend*
4 August	Announcement of 2Q FY2016 Results
3 November	Announcement of 3Q FY2016 Results

* Subject to approval at Annual General Meeting on 20 April 2016.

EXECUTIVE CHAIRLADY'S MESSAGE

Focusing on Fundamentals is the Key to Explore for Future New Opportunities.

Employees Collaboration is the Key to Success.

CHENG WOEI FEN
EXECUTIVE CHAIRLADY

Dear Shareholders, Business Partners and Colleagues

Mun Siong and its subsidiaries (the "Group") was able to achieve another profitable year of $4.5 million before taxation with a lower revenue of $76.2 million, continuing another year of a challenging operating environment in the process industry. The lower profits and revenue reflect the impact and effects from the falling global crude oil prices due to the over-supply and fall in demand caused by the decelerating and uncertainties of the two largest economies – North America and China.

The falling crude oil prices had significantly affected the capital expenditure in the oil and gas upstream segment. Although the Group's primary focus is on the downstream sector, the weak sentiments in the upstream segment had caused our business partners to either delay their implementation of new investments or downsizing their operations.

However, the Group believes that the outlook for the industries that it serves will continue to remain positive in the long run. Key players (including our business partners) will continue to make further investments towards new facilities and expanding or enhancing the capabilities of current facilities, where all of which are business opportunities for the Group.

The Group will capitalise on potential local and global opportunities to form a strategic partnership and alliances in the process industry, power and renewable energy related industries to continue exploring new geographical markets for future growth and expansion.

PERFORMANCE REVIEW

Our Notable Achievements

The Group's strategy is to build a sustainable business model, with a strong emphasis on continuous improvements on product quality, health and safety issues, timely deliveries, cost efficiencies, and optimising resource allocation and utilisation. The Group continues to be relevant with our business partners through expanding its capabilities. In recent years, the Group added detailed engineering design, tankage construction and maintenance, specialise anti-corrosion and anti-wear coatings for exchanger tubes as well as scaffolding services to its core competencies.

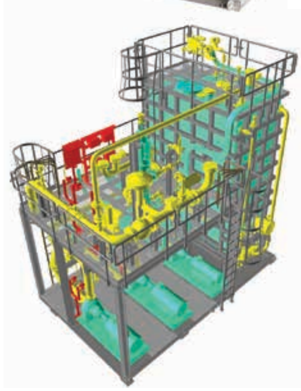
In FY2015, mechanical engineering contributed 83.9% to the Group's revenue while electrical and instrumentation, and other services contributed to the remaining revenue.

The Group has gained substantial recognition from our business partners for our commitment to deliver high standard projects while complying with safe practices despite stringent compliance requirements. This enabled and led us to secure two additional term maintenance contracts; one of which was awarded by a long term business partner located in Jurong Island, while another construction project was awarded to the Group by a multi-national EPC contractor also located in Jurong Island, tapping a substantial part of the Group's core competencies.

During the same financial year, the Group had also successfully managed to execute a number of smaller projects involving the provision of both engineering design services and equipment fabrication.

The Group continues to exemplify its commitment and dedication in the safety arena. Its subsidiary, OHM Engineering was awarded the WSH Performance Awards (Silver), and the Award for Supervisors for the third and second consecutive years respectively.

A joint initiative between the government bodies and key players from the process industry has embarked on a productivity improvement scheme to improve on the work processes, and to establish a certification system to encourage companies to adopt the best productivity and safety measures. The Process, Construction and Maintenance (PCM) sector together with the productivity council have set up three working groups led by different business partners of the Group, namely ExxonMobil, Shell, and Singapore Refining Company who are also the Group's key business partners. The Group is an active participant in this productivity council as well as the sub-committees of the three working groups. Through acquiring the methodology and benchmark for workers to multitask and undertake more complex jobs, it enables the Group to undertake higher value-added work in the near future while increasing our relevance with our business partners.



Our Financial Achievements and Strengths
For FY2015, the Group's revenue of $76.2 million was lowered by 4.9% or $3.9 million due to the slowdown in business activities in the process industry. The Group's gross and net profit was $9.0 million and $4.5 million respectively in FY2015 as compared to $11.9 million and $5.3 million respectively in FY2014.

With the current weak market sentiments, the Group will continue to take measures to improve the work crew's productivity by improving the work processes, and at the same time to manage its manpower cost, which constitutes a significant portion of the operating cost.

The Group ended the financial year with a strong balance sheet. Profitability continues to strengthen our shareholders' funds and total cash and cash equivalent which stood at $57.6 million and $24.8 million as at 31 December 2015 respectively. This provides us the ability and flexibility to pursue strategic partnerships or acquisitions should these opportunities arise.

EXECUTIVE CHAIRLADY'S MESSAGE

HOW WE MOVE FORWARD

The Challenges

Negative news on the health of the world second largest economy, China, continues to cause major volatility in both financial and commodities markets globally.

The US Federal Reserve increasing key interest rates in late 2015; a signal to recovery of the North American economy after a decade of maintaining low interest rates to stimulate economy growth. However, the recent statements by the US Federal Reserve cast doubts on the recovery rate of the North American economy.

Uncertainties over the North American and Chinese economies coupled with an over-supply of crude oil globally continue to pose challenges to the operating environment. Some of the Group's business partners have started to streamline their operations, including the deferment or cancellation of major capital expenditures and the disposal or exit from certain business segments or markets.

The Outlook

While the Group expects challenges in securing new jobs in the coming year, the Group is optimistic and is expecting the maintenance contracts to provide a steady flow of work engagements tied with challenges in profit margins. The challenges that the Group faced in FY2015 will continue and may intensify into FY2016 if major global economies weaken further.

The Strategy

The Group will continue its efforts to pursue business opportunities, both domestically and in the regional market, to diversify and widen both its customer and revenue base. Such initiatives include strategic investment opportunities to enhance its range of services and products.

REWARDING OUR SHAREHOLDERS

For FY2015, the Board of Directors are pleased to propose a total cash dividend of 0.35 cents per share comprising a tax-exempt (one-tier) final dividend of 0.15 cents per share, and a tax-exempt (one-tier) special dividend of 0.20 cents per share. This represents a payout of approximately 44.6%, of the Group's profit after income tax.

The proposed final and special dividend is subjected to shareholders' approval at the Annual General Meeting to be held on 20 April 2016. Should the approval went through, the payout will be made on 27 May 2016.

At the same general meeting, we will be seeking shareholders' approval to implement a share buyback scheme. We believe this will further enhance shareholders' value.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to convey our sincere gratitude to our shareholders, suppliers, colleagues, and especially our business partners for their continuing support, invaluable trust and unwavering confidence in the Group's ability to provide them with our services, and continue to work closely with our management and staff to improve our productivity and work processes.

On behalf of the Board, I would also like to thank both Mr Quek Chiau Liong and Mr Lin Yan for their valuable contributions while serving as executive directors of Mun Siong.

The Group will continue to benefit from the experience and guidance of Mr Quek Chiau Liong as he serves as an advisor.

Mr Lin Yan will continue to head OHM Engineering as its executive director and in addition, he will assume the role of Group HSE Director.

We are delighted and privileged to have three non-executive independent directors. I wish to express my gratitude to them for their invaluable advice, guidance and timeless commitment to the Group.

We look forward to your continual support and confidence. Thank you.

CHENG WOEI FEN
Executive Chairlady

BOARD OF DIRECTORS

CHENG WOEI FEN
Executive Chairlady cum CEO

Ms Cheng was first appointed to the Board in 1981 and was last re-elected as a director on 16 April 2014. She spearheaded the acquisitions of Group's subsidiaries and is responsible for the effective integration and alignment of the Group's business strategy, as well as the development of the Group's business and operations. She also chairs the Executive Committee.

Ms Cheng holds a degree in Business Administration from the then Singapore University. She is a pioneer member of the SGX Diversity Action Committee; Council member of the Process Construction and Maintenance Productivity Committee, as well as a member of the School of Advisory Committee of Beacon Primary School.

QUEK KIAN HUI
Executive Director

Mr Quek was appointed as an Executive Director of Mun Siong Engineering Limited by the Board on 16 June 2014 and re-elected at the AGM on 22 April 2015. He is responsible for the overall management of Wing Wah Industrial Services Pte Ltd and assists in managing the Group's operations and business development. He is a member of the Executive Committee.

Mr Quek holds an MBA and a Bachelor's degree in Mechanical Engineering from Purdue University, USA. He was a mechanical rotating engineer with Chiyoda Singapore (Pte) Ltd before he pursued his MBA.

DAVID TAN CHAO HSIUNG
Non-Executive and Lead Independent Director

Mr Tan was appointed as a Director on 1 October 2012 and was last re-elected on 22 April 2015. He is the Chairman of the Audit Committee and a member of both the Nominating Committee and the Remuneration Committee.

He has over 20 years of senior management experience in the banking and finance industry and has held positions in both local and foreign financial institutions. Currently, he is also an independent director with Powermatic Data Systems Ltd.

Mr Tan holds a Master of Commerce (specialising in Finance) from the University of New South Wales and a Bachelor of Economics from Macquarie University. He is also a Fellow of the Institute of CPA (Australia).

PETER SIM SWEE YAM
Non-Executive and Independent Director

Mr Sim, BBM, PBM was appointed a Director in October 2010 and was last re-elected as an independent director on 16 April 2014. He is the Chairman of the Remuneration Committee and is a member of the Audit Committee and the Nominating Committee. Mr Sim is a solicitor by profession and a director of the law firm, Sim Law Practice LLC.

Mr Sim is currently an independent director of Haw Par Corporation Ltd, Marco Polo Marine Ltd, Lum Chang Holdings Ltd and Singapore Reinsurance Corporation Limited. He also serves on the boards of non-profit organisations, the Young Men's Christian Association (YMCA) of Singapore and the Singapore Heart Foundation. Mr Sim holds a degree in Law from the University of Singapore (currently known as the National University of Singapore).

LAU TEIK SOON
Non-Executive and Independent Director

Dr Lau was first appointed a non-executive director at the Annual General Meeting on 9 April 2013. He is the Chairman of the Nominating Committee, and a member of both the Audit Committee and the Remuneration Committee. Dr Lau is an advocate and solicitor and is currently a partner of Lau & Chandra LLP. He has been involved in various areas of practice, including criminal and civil litigation, family law, and arbitration.

Dr Lau serves on the Board of Ryobi Kiso Holdings Ltd as an independent director since 2009 and was a former independent director with Hock Liang Seng Holdings Ltd till 2013.

Dr Lau holds a few degrees, including Doctor of Philosophy in International Relations (Australian National University) and Bachelor of Laws, Honours (University of London).

CORPORATE GOVERNANCE

INTRODUCTION

The Board of Directors (the "Board") is committed to ensure that the highest standards of corporate governance are practiced throughout Mun Siong Engineering Limited (the "Company") and its subsidiaries (the "Group"), as a fundamental part of its responsibilities to protect and enhance shareholders' value and the financial performance of the Group. In this respect, the Company adopts practices based on the principles and guidelines set out in the revised Code of Corporate Governance 2012 (the "2012 Code").

This report describes the Group's corporate governance practices and structures that were in place for the financial year ended 31 December 2015 with specific reference to the 2012 Code, and where applicable, the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

(A) BOARD MATTERS

The Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the Group. The Board works with the Management to achieve this objective and Management remains accountable to the Board.

The Board oversees the Group's affairs and is accountable to shareholders for the management of the Group's business and its performance. To fulfill this role, the Board is responsible for the following:

- Provide entrepreneurial leadership, setting strategic aims, and ensuring the necessary financial and human resources are in place for the Group to meet its objectives;
- Establish a framework of prudent and effective controls which enables risk to be assessed and managed, including safeguarding of shareholders' interests and the Group's assets;
- Review Management's performance;
- Identify the key stakeholder groups and recognise that their perceptions affect the Group's reputation;
- Set the Group's values and standards (including ethical standards), and ensure that obligations to shareholders and others are understood and met;
- Consider sustainability issues such as economic, social and governance factors as part of its strategic formulation;
- Oversee internal control processes, financial reporting and compliance, including the release of financial results and announcements of material transactions; and
- Review and endorse corporate policies in keeping up with good corporate governance and business practices.

The Board objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Group.

The Board has delegated specific responsibilities to three committees, namely the Audit, Nominating and Remuneration Committees (the "Committees"). Information on each of the three committees is set out below. The Board accepts that while these Committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the entire Board.

The Board will meet at least four times a year. Fixed and optional meetings are scheduled at the start of each year and will convene ad hoc meetings not scheduled within the financial year only when there are pressing matters that requires the Board's consideration and decision.

Matters which are specifically reserved for decision by the Board include those involving appointment of directors and key executives, business plans, material acquisitions and disposals of assets, corporate or financial structuring, corporate strategy, share issuance, dividends and shareholder matters.

The number of Board and Committees meetings held in the financial year and the attendance of directors during these meetings are as follows:

	Board			Audit Committee			Nominating Committee			Remuneration Committee		
	No. of meetings			No. of meetings			No. of meetings			No. of meetings		
	Position	Held	Attended	Position	Held	Attended	Position	Held	Attended	Position	Held	Attended
Executive Directors												
Cheng Woei Fen*	C	4	4	NA	4	4#	NA	1	1#	NA	1	1#
Quek Kian Hui*	M	4	4	NA	4	3#	NA	1	1#	NA	1	1#
Quek Chiau Liong*[1]	M	2	2	NA	2	2#	NA	1	1#	NA	1	1#
Lin Yan[2]	M	1	1	NA	2	2#	NA	–	–	NA	–	–
Non-Executive Directors												
David Tan Chao Hsiung	M	4	4	C	4	4	M	1	1	M	1	1
Peter Sim Swee Yam	M	4	3	M	4	3	M	1	1	C	1	1
Lau Teik Soon	M	4	4	M	4	4	C	1	1	M	1	1

C: Chairman; M: Member

By invitation

* Quek Chiau Liong is the stepson of Cheng Woei Fen; Quek Kian Hui is the son of Cheng Woei Fen

1 Resigned on 31 August 2015

2 Appointed on 1 September 2015, stepped down on 15 March 2016 to assume additional role as Group HSE Director

A formal letter is provided to each director upon his appointment, setting out the director's duties and obligations. The Company also conducts an orientation programme for new directors to familiarise them with the business activities of the Group, its strategic direction and corporate governance practices. To keep pace with new laws, regulations, changing commercial risks and accounting standards, all directors are encouraged to attend, at the Company's expense, relevant seminars conducted by external organisations to keep themselves abreast with the ongoing developments so as to enable them to properly discharge their duties as Board members. The Company Secretary will also update and brief the directors on the changes and new developments from the regulatory authorities.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders*. No individual or small group of individuals should be allowed to dominate the Board's decision making.

* the term "10% shareholders" shall refer to a person who has an interest or interests in one or more voting shares in the company and the total votes attached to that share, or those shares, is not less than 10% of the total votes attached to all the voting shares in the company. "Voting shares" exclude treasury shares.

CORPORATE GOVERNANCE

During the financial year, the Board is comprised of six members, three of whom are non-executive directors. All the non-executive directors are also independent as described in 2012 Code (i.e. they have no relationship with the Company, its related companies, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the Group), and they are able to exercise objective judgment on corporate affairs independently from Management.

The Committees comprise wholly of the non-executive and independent directors, and are chaired by the non-executive and independent directors.

The list of directors is as follows:

Name	Appointment	Date of first appointment	Date of last re-election as Director
Cheng Woei Fen*	Executive Chairlady	31 October 1981	16 April 2014
Quek Chiau Liong*[1]	Executive Director and Managing Director	28 June 1993	22 April 2015
Quek Kian Hui*	Executive Director	16 June 2014	22 April 2015
Lin Yan[2]	Executive Director	1 September 2015	Appointed by the Board
David Tan Chao Hsiung	Non-Executive and Lead Independent Director	1 October 2012	22 April 2015
Peter Sim Swee Yam	Non-Executive and Independent Director	11 October 2010	16 April 2014
Lau Teik Soon	Non-Executive and Independent Director	9 April 2013	22 April 2015

* Quek Chiau Liong is the stepson of Cheng Woei Fen; Quek Kian Hui is the son of Cheng Woei Fen.
1 Resigned on 31 August 2015
2 Stepped down on 15 March 2016 and assumed additional role as Group HSE Director on 16 march 2016

A description of the background of each director is presented in the "Board of Directors" section of this annual report. As a group, the directors bring with them a broad and diverse range of industry knowledge, expertise and working experience in areas such as accounting and finance (including mergers and acquisitions, and capital markets), business and management and legal relevant to the Group and its industry.

The Board reviews the size and composition of the Board on an annual basis to ensure that both aspects continue to meet the needs of the Group and is of the view that the present Board size and composition is appropriate for the current scope and nature of the Group's operation. The Nominating Committee reviews the independent status of each non-executive director annually based on the definitions and guidelines of independence set out in the 2012 Code.

There is a strong independent element on the Board as the non-executive and independent directors comprise at least half of the Board. Board's decisions are undertaken on an unanimous basis and no individual or group is able to dominate the Board's decision-making process. There is also appropriate balance and diversity of skills and experience in the Board because the caliber of non-executive and independent directors carry sufficient weight in Board's decisions. Although all the directors have equal responsibility for the Group's operation, the role of these non-executive and independent directors is particularly important in ensuring that the strategies proposed by the Management is constructively challenged, fully discussed and examined, and take into account of the long term interest, not only of the shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business. The non-executive and independent directors also review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.

CORPORATE GOVERNANCE

As at the date of this Annual Report, none of our non-executive and independent directors have served on the Board for more than nine years. In the event that any of our non-executive directors is to serve beyond nine years, the Nominating Committee will undertake a rigorous review, taking into account the need for progressive renewal of the Board and grounds on why such director should be considered independent, before recommending to the Board for re-appointment. Whilst the Company is controlled by major shareholders, the interest of minority shareholders is fairly represented through the representation of the non-executive and independent directors.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Group's business. No one individual should represent a considerable concentration of power.

The Chairman and Chief Executive Officer ("CEO") are individual roles to ensure the appropriate balance of power, increase accountability and greater capacity of the Board for independent decision-making.

The Chairman (in our Company, Chairlady), Cheng Woei Fen whom is also an Executive Director, is responsible for leading the Board and facilitating its effectiveness. She promotes high standards of corporate governance on the Board and within the Group. The CEO (Managing Director in our Company), Quek Chiau Liong, is an executive director responsible for the operation, business direction, strategic positioning and business expansion of the Group. Following the departure of Quek Chiau Liong on 31 August 2015, the function of the managing director has been shared between the two executive directors, Lin Yan and Quek Kian Hui.

The Chairlady ensures that the Board meetings are held as and when necessary. She leads the Board to ensure its effectiveness and approves the agenda of each Board meeting in consultation with the managing director/executive directors. The Chairlady reviews the Board papers before they are presented to the Board and ensures that Board members are provided with complete, adequate, accurate, timely and clear information. Management staffs who have prepared the papers, or who can provide additional insight into the matters to be discussed, are invited to present the paper or attend the Board meeting at the relevant time.

During the Board meeting, the Chairlady will ensure that adequate time is available for discussion of all agenda items, particularly on strategic issues. The Chairlady monitors communications and relations between the Company and its shareholders, between the Board and Management, and between the non-executive and executive directors, with a view to encourage a culture of openness, constructive relations and dialogue amongst them. The Chairlady works to facilitate the effective contribution of non-executive and independent directors.

The foregoing responsibilities of the Chairlady are included in the above mentioned guidelines endorsed by the Board.

The roles of the Chairman and CEO were either held by the same individual or related individuals. As the arrangement is a deviation from the principle and pursuant to the recommendation by the 2012 Code, the Board has appointed David Tan Chao Hsiung, a non-executive and independent director, as our Lead Independent Director. Mr David Tan is available to shareholders when they have concerns where contacting through the normal channels of the Chairlady, CEO or the Chief Financial Officer has failed to resolve or for which such contact is inappropriate.

Where appropriate, the Lead Independent Director will meet with the other non-executive and independent directors without the presence of the executive directors, and the Lead Independent Director will provide feedback and recommendation to the Chairlady after such meetings.

During the financial year, the non-executive and independent directors have met several times (without the presence of management) both formally and informally; notably, meetings to discuss cessation and appointment and service contracts.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The Nominating Committee comprises the following non-executive and independent directors:
Lau Teik Soon (Chairman)
Peter Sim Swee Yam
David Tan Chao Hsiung

The Nominating Committee held one formal and several informal meetings during the financial year.

Notably, during the financial year, the Nominating Committee reviewed the cessation of Quek Chiau Liong and the re-appointment of Lin Yan.

The Chairman of the Nominating Committee and all its members are considered independent pursuant to the definition of independent under the 2012 Code. David Tan Chao Hsiung, who is the Lead Independent Director, is also a member of the Nominating Committee. The Nominating Committee is governed by the terms of reference endorsed by the Board that sets out its duties and responsibilities. Its responsibilities include the following:

1. Make recommendations to the Board on all board appointments and appointment of key managers and related managers. In its search, nomination and selection process for new directors, the Nominating Committee 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 requirements of the Group. After the Board endorsed the key attributes, the Nominating Committee taps on the resources of 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 Nominating Committee members to assess them, before a decision is reached;

2. Make recommendations to the Board on the re-nomination of directors at regular intervals and at least once every three years for each director, as required by the Articles of Association of the Company. In its deliberations on the re-nomination of existing directors; the Nominating Committee takes into consideration the directors' contribution and performance (including, if applicable, his contribution and performance as a non-executive and independent director). The assessment parameters include the attendance record, preparedness, intensity of participation and candour at meetings of the Board and its Committees, as well as the quality of intervention and special contributions. The Chairlady of the Board will give feedback to the Nominating Committee on the appointment of new directors, retirement, or resignation of existing directors, following the outcome of an annual performance evaluation of individual directors, and the Nominating Committee will take into consideration her views in this regard;

3. Review the criterion in performance evaluation of the Board, the Board's Committee, directors and review the professional development requirements for directors; and

4. Determine the independence of directors annually. In doing so, the Nominating Committee takes into account the definitions and guidelines of independence set out in the 2012 Code and any other salient factors. Following its annual review, the Nominating Committee has endorsed the independent status of the non-executive and independent directors as reflected in the table above.

The Nominating Committee noted that the members of the board committees are experienced independent directors who are also currently board members of other listed companies. In this respect, every individual will also have additional avenues on training and updates on professional development programs. The Nominating Committee will review the training needs of the Board and where appropriate, recommend external training and seminars, or arrange for in-house briefings, to keep the members abreast of the updates and developments to enable them to fulfill their roles. The cost of professional development programs will be borne by the Company.

The Nominating Committee were satisfied that the directors gave sufficient time to the affairs of the Group, notwithstanding that some of the directors have other board representations or other principal commitments. Presently, implementation of internal guidelines is not needed to address their competing time commitments, and this matter will be reviewed on an annual basis by the Nominating Committee. At the same time, the Nominating Committee has recommended to the Board as a guide, that non-executive and independent directors should limit their representations to six on the board of other listed companies, including the Company.

Currently, none of our directors have appointed alternates. In the event that alternate directors are appointed, it will be for a limited period and for exceptional cases such as medical emergency.

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and its board committees and the contribution effectiveness by each director to the effectiveness of the Board.

The Board has implemented a process for assessing its effectiveness as a whole (including its Committees) and for assessing the contribution by each director to the effectiveness of the Board.

The assessment utilises a confidential questionnaire, which cover areas such as Board composition, Board processes that manage the Group's performance, and the effectiveness of the Board in its monitoring role. The questionnaire is completed by members of the Nominating Committee jointly with the Chairlady of the Board. The completed qualitative assessment questionnaires are collated for deliberation. The results, conclusions and recommendations are then presented to the Board by the Nominating Committee.

The assessment of individual directors is done through peer-assessments – a confidential questionnaire completed by directors individually. The assessment parameters for such individual evaluation include attendance and contributions during Board and Committee meetings as well as commitment to their role as directors. The completed questionnaires are then collated for the Nominating Committee's deliberation and reported to the Chairlady of the Board. The Chairlady will act on the results of the performance evaluation and the recommendation of the Nominating Committee, and where appropriate, in consultation with the Nominating Committee, new members may be appointed or resignation of directors may be sought.

The assessments of the Board and the directors are carried out annually. Following the review of the assessment of the Board and its Committees, as well as of each director, the Board is of the view that the Board and its Committees have operated effectively and each director has contributed to the overall effectiveness of the Board.

Pursuant to Regulation 98 of the Company's Constitution, at least one-third of the Board is required to retire via rotation at each Annual General Meeting ("AGM"). Accordingly, Cheng Woei Fen and Peter Sim Swee Yam are the two directors retiring via rotation at the forthcoming AGM. Both directors are eligible and had consented for re-election. The Nominating Committee, having considered their performance and contributions, has recommended these two retiring directors for re-election at the forthcoming AGM. Subject to being duly re-elected at the forthcoming AGM, Peter Sim will remain as the Chairman of the Remuneration Committee and also as a member of the Audit Committee and the Nominating Committee while Cheng Woei Fen will remain as the Executive Chairlady.

Lau Teik Soon was re-appointed as a director at the AGM on 22 April 2015 pursuant to Section 153(6) of the Companies Act which was in place immediately before 3 January 2016 and his tenure of appointment will cease at the forthcoming AGM. The Board had recommended the re-appointment of Lau Teik Soon as a director for shareholders' approval at the forthcoming AGM. Section 153(6) was repealed on 3 January 2016, thus subject to being duly re-appointed at the forthcoming AGM, Dr Lau shall henceforth be subject to retirement via rotation under the Company's Constitution at subsequent AGMs. He will remain as the Chairman of the Nominating Committee and as a member of both the Audit Committee and the Remuneration Committee upon being duly re-appointed.

Access to Information

Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

All directors receive a set of Board papers prior to the Board meeting with sufficient time to enable them to obtain further explanations, where necessary, in order to be briefed properly and prepare for the meeting. The Board papers may include, among others, the following documents and details:

- Background or explanations on matters brought before the Board for decision or information, including issues being dealt with by Management, and relevant budgets, forecasts and projections. In respect of budgets, any material variance between the projections and actual results is disclosed and explained to the Board;
- Minutes of the previous Board meeting;
- Minutes of meetings of all Committees held since the previous Board meeting;
- Major operational and financial issues; and
- Statistics on key performance indicators.

As part of good corporate governance, key matters requiring decision are reserved for resolution at Board meetings rather than by circulation to facilitate discussion. Key analysts' reports on the Group are forwarded to the directors on an ongoing basis. In addition, the Board receives from Management quarterly management accounts which present a balanced and understandable assessment of the Group's performance, position and prospects.

The non-executive and independent directors have separate and independent access to the Group's senior management, including the Chairlady, the Executive Directors, the Chief Financial Officer and other executive officers, as well as the Group's internal and external auditors. Queries by individual directors on circulated papers are directed to the Management who will respond accordingly. Where relevant, the non-executive and independent directors' queries and Management's responses are circulated to all Board members for their information.

The Board has also approved a procedure for directors, whether as a full Board or in their individual capacity, to seek professional advice where necessary in the furtherance of their duties; with the cost borne by the Company.

All directors have separate and independent access to the advice and services of the Company Secretaries. The Chief Financial Officer and a staff member of a corporate secretarial firm are the Company Secretaries. At least one Company Secretary is present at all meetings of the Board and ensures that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary also attends all meetings of the Committees. Under the direction of the Chairman, the Company Secretary is responsible for ensuring good information flows within the Board and its Committees and between senior management and non-executive and independent directors, advising the Board on all governance matters, as well as facilitating orientation and assisting with professional development as required.

Under the Constitution of the Company, the appointment or removal of the Company Secretary can only be taken by the Board as a whole.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual director. No director should be involved in deciding his/hers own remuneration.

Remuneration Committee

The Remuneration Committee comprises the following non-executive and independent directors:

Peter Sim Swee Yam (Chairman)
David Tan Chao Hsiung
Lau Teik Soon

The Remuneration Committee is principally responsible for assisting the Board to establish a formal and transparent process for developing policies on remuneration and development. The Remuneration Committee has adopted terms of reference approved by the Board that sets out its duties and responsibilities which include the following:

- Review and recommend to the Board for endorsement, a framework of remuneration for the Board and key management personnel including the executive directors and senior management. For executive directors and senior management, the framework covers all aspects of executive remuneration (including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind); and

- Recommend the specific remuneration packages for each director and senior management.

In framing the Group's remuneration policy as described above, the Remuneration Committee from time to time may refer to market reports on average remuneration or seek expert or independent professional advice.

During the financial year, the Remuneration Committee has reviewed the proposed adjustments to the employment terms and conditions (including remuneration) offered to Quek Kian Hui, a substantial shareholder of the Company and son of Cheng Woei Fen (Chairlady). The Remuneration Committee is satisfied that the revised terms and conditions (including remuneration) are reasonable and are in line with the Group's existing human resource policies, and accordingly, has recommended the aforesaid to the Board for adoption.

No Director is involved in deciding his/her own remuneration, except in providing information and documents if specifically requested by the Remuneration Committee to assist in its deliberations.

The Remuneration Committee's recommendations are submitted for endorsement by the entire Board.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the Group, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the Group, and (b) key management personnel to successfully manage the Group. However, companies should avoid paying more than is necessary for this purpose.

The Remuneration Committee seeks to establish and maintain an appropriate and competitive level of remuneration to attract, retain and motivate key executives (persons having authority and responsibility for planning, directing and controlling the activities of the Group). The Remuneration Committee also ensures that the remuneration policies support the Group's objectives and strategies.

The executive directors have service agreements. Their compensations consist of salary, bonuses and profit sharing arrangement which is based on the Group's financial performance. The profit sharing arrangement is to align their interests with those of the shareholders and link rewards to corporate and individual's performance.

The service agreements are for a period of three years. The Remuneration Committee is of the view that the service agreements are not excessively long.

The remuneration package of key executives comprises of both fixed and variable components and benefits. The Company subscribes to linking executive remuneration to corporate (with the emphasis on enhancing shareholders' value and long-term success of the Group) and individual performance based on annual appraisal of employees and using performance indicators such as core values, competencies, key result areas, performance rating, and potential of the employees.

(a) Fixed Component

Fixed pay comprises basic salary, statutory employer's contributions to the Central Provident Fund and fixed allowances. To ensure that key executives' remuneration is consistent and comparable with market practice, the Remuneration Committee also regularly benchmarks remuneration components against those of comparable companies, while continuing to be mindful that there is a general correlation between increased remuneration and performance improvements.

(b) Variable Component

This component comprises variable bonus based on the Group and the individual's performance, as well as monthly variable component of the basic salary. To link rewards to performance, the more senior the executive is in the Group, the higher is the percentage of the variable component against total compensation. A comprehensive and structured assessment of the performance of key executives, against selected key performance indicators, is undertaken each year. Bonuses payable to key executives are reviewed by the Remuneration Committee and approved by the Board to ensure alignment of their interests with those of shareholders.

(c) Benefits

Benefits provided are consistent with market practice and include medical benefits, flexible benefits and transport allowance. Eligibility for these benefits will depend on individual salary grade and length of service.

Directors' fees are subject to the approval of the shareholders at the Annual General Meeting. Factors such as level of contribution, effort and time spent, and responsibilities and leadership of the non-executive and independent directors are considered when determining their level of fees. The compensation should be appropriate and not excessive to the extent that the independence could be compromised.

As recommended in the 2012 Code, provisions allowing the Company to reclaim incentive components of remuneration from the executive directors and senior management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company have been incorporated into their respective service agreements and employment contracts. The extent of the claw-back on incentive component has been capped at up to the amount paid over the past 3 financial years.

Disclosure on Remuneration

Principle 9: Every Company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the Annual Report. It should provide disclosure in relation to its remuneration policies to enable the investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The Group links its remuneration policy to achievement of key performance indicators. Key performance indicators of the Group are orientated towards retention of customers, given that the process industry is dominated by a small number of major players, which is highly correlated to the Group's profitability and long term financial performance. These key performance indicators would include project management capabilities, timely completion of projects in accordance with customer's schedule, achieving targeted profit margins and achieving safety standards set by customers.

The service agreements of Cheng Woei Fen and Quek Chiau Liong (prior to his resignation) were renewed in FY2013 for a further 3 years. Similar to their previous service agreements, a substantial portion of their remunerations (in dollar terms) are in the form of variable or performance related bonuses. The variable or performance related bonuses are calculated as a percentage of the Group's profitability, with the percentage increasing along with profitability. Likewise, the service contracts of Lin Yan and Quek Kian Hui (executive directors) were entered into between them and the Company on similar basis.

For the other executives and key management personnel, their variable or performance related bonuses, beside individual performance, are also based on the Group's profitability.

The Group does not have any policy to pay post-employment and retirement benefits to its employees, including its executive directors.

The remuneration of directors and key executives is set out below. The disclosure is provided to enable investors to understand the link between the remuneration paid to the directors and key executives, corporate and individual performance.

Remuneration table

		Breakdown in percentage				
	Total Remuneration $'000	**Base/fixed salary %**	**Director's fees %**	**Variable or performance-related income/bonuses %**	**Benefits in kind %**	**Total %**
Directors						
Cheng Woei Fen	291	76.9	–	8.6	14.5	100.0
Quek Chiau Liong (resigned on 31 Aug 2015)	159	79.9	–	–	20.1	100.0
Quek Kian Hui	147	75.8	–	17.0	7.2	100.0
Lin Yan*	235	70.6	–	14.1	15.3	100.0
David Tan Chao Hsiung	46	–	100.0	–	–	100.0
Peter Sim Swee Yam	40	–	100.0	–	–	100.0
Lau Teik Soon	41	–	100.0	–	–	100.0

Note: * Appointed on 1 September 2015. Remuneration disclosed is for the full year.

	Base/fixed salary %	Director's fees %	Variable or performance-related income/bonuses %	Benefits in kind %	Total %
	Breakdown in percentage				
Top 5 management personnel					
Below $250,000					
Seah Hai Yang	89.3	–	8.6	2.1	100.0
Lim Fung Suan	81.9	–	–	18.1	100.0
Wei Qian#	93.3	–	–	6.7	100.0
Lau Eng Choon	86.0	–	8.3	5.7	100.0
Chong Siew Lian	87.7	–	8.7	3.6	100.0

Note: # Resigned in March 2015, rejoined the Company in December 2015.

The total remuneration for the above key management personnel is $759,000.

There is no employee who is an immediate family member of a director whose remuneration exceeds $50,000 during the year under review. The aggregate remuneration paid to employees who are related to the Chairlady and/or Executive Director was approximately $24,000 for the financial year.

(C) ACCOUNTABILITY AND AUDIT ACCOUNTABILITY

Principle 10: The Board should present a balanced and understandable assessment of the Group's performance, position and prospects.

The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position and prospects when presenting interim and other price sensitive public reports and reports to regulators (if required).

The Company prepares its financial statements in accordance with the Singapore Financial Reporting Standards (the "SFRS") prescribed by the Accounting Standards Council. The Board provides shareholders with quarterly and annual reports, and releases its quarterly and full year financial results through announcements via the SGXNET system on the website of the SGX-ST and, where appropriate, press and media releases. In communicating and disseminating its results, the Board always aim to present a balanced and clear assessment of the Group's performance, position and prospects.

Management provides the Board with accounts and such explanation and information on a regular basis, and as and when the Board may require from time to time enabling the Board to make a balanced and informed assessment of the Group's performance, position and prospects. On a quarterly basis, the Board is also updated by the various heads of the business units on the performance and developments under their charge.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Group has an established process for the governance of risk management framework and policies. The framework is formulated in compliance with the Government policies and listing requirements. They are governed by the executive committee of the Group to ensure the adequacy of risk management. The Audit Committee acts as an extra gatekeeper to ensure governance of risk management. The key framework and policies on risk management are summarized as follow:

Contract pricing and operational risks

Contract pricing risk is the potential loss associated with tendering at prices below the cost of carrying out a project. The Group mitigates this risk by putting in place a stringent control process. The tender proposal is first drawn up by the Contracts Department and tabled for discussions with the tender evaluation team, who is also the project execution team.

The Group has established an approval process that is based on the project value as a percentage of the Group shareholders' funds. Projects that are below a certain percentage of the Group's shareholders' funds are approved by the Chairlady and Managing Director. Those in excess of certain percentage of the Group's shareholders' funds would require approval by the Board of Directors.

Operational risk relates to the costs of not being able to complete a project or work on time. The management of the Group manages this risk by holding regular meetings with the project execution team to discuss and solve issues that are being raised and observed from the site inspection on work progress.

Safety risk

The Group operates in an industry where safety ranks as one of its top priorities by the customers. In order to ensure that the Group provides a reasonable and practicable safe working environment to our employees, the Group has a safety committee that ensures that the Group meets the safety requirements imposed by its customers and the relevant authorities. The safety procedures of the Group are further audited periodically by an external body. The Group also provides training to its staff regularly on safety procedures.

Information system risk

Information system risk is the potential cost to the Group caused by loss of information through either failure of hardware or software. The Group has a disaster recovery plan and a maintenance program for its accounting and management information system. In the event of any disruption, recovery is assured. This will minimise disruption to businesses and operations.

Foreign currencies risk

The Group's exposure to foreign currency risk is minimal as the principal source of revenue and the costs incurred to generate the revenue are denominated in Singapore dollars. The Group, however monitors the exchange rates of major currencies from time to time whenever revenue receivables and payments are not denominated in Singapore dollars.

Market concentration risk

The Group is currently dependent on Singapore for its main source of revenue. The Group's main customers are from the process industry which in turn, is dominated by a small number of big multi-national players. Majority of these multi-national companies are key customers of the Group. The Group tries to reduce the market risk by maintaining its long-term relationships with these customers. The Group also tries to reduce its market concentration risk by diversifying its source of revenue.

Over the few years, the Group has undertaken a number of initiatives to diversify its revenue base. These include the acquisition of Wing Wah Industrial Services Pte Ltd (overhauling and maintenance of rotating equipment, authorised distributor of several types of pumps and fabrication of equipment skids), establishment of Pegasus Advance Engineering Pte Ltd to provide scaffolding services, and providing specialised coating services.

The Group will continue to seek business opportunities so as to broaden its customer base and to reduce its dependence on the Singapore economy and the process industry. However, to avoid a substantial increase in the Group's business risk profile, it will continue to seek business opportunities within the area of its key competencies.

Human resources risk

The Group is a service provider and is dependent on its human resources to achieve profitability and retain customers. The Group faces risk of not being able to retain its pool of human resources. In order to retain and attract new talents, it provides staff with essential training and transparent career succession planning map.

Assurances from the Chairlady and Chief Financial Officer:

In addition, the Board has received assurances from the Executive Chairlady cum CEO and the Chief Financial Officer:

- that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances: and

- that the Group's risk management and internal control systems are effective.

Audit Committee

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The Audit Committee comprises the following non-executive and independent directors:

David Tan Chao Hsiung (Chairman)
Peter Sim Swee Yam
Lau Teik Soon

None of the members of the Audit Committee are present or former director, partner or shareholder of the Group's external auditor.

The Audit Committee held four formal meetings during the financial year. These meetings were attended by the executive directors, the chief financial officer and the financial controller at the invitation of the Audit Committee. The Group's external auditors and internal auditors were invited to present their audit plans and reports to the Audit Committee at the relevant junctures.

The Board is of the view that all the members of the Audit Committee are appropriately qualified to discharge their responsibilities. David Tan Chao Hsiung is an accountant by training and has working experience in mergers and acquisitions, and capital market transactions. He has in the past, served in a number of SGX-ST listed companies (both Catalist and main board) board of directors and holds offices of audit committee chairman, lead independent director and chairman of the executive committee. Peter Sim Swee Yam has relevant experience from his involvement in the various committees of the SGX-ST listed companies that he held directorships as well as management experience from his own legal practice. Lau Teik Soon, a solicitor, is currently a board member of another SGX-ST listed company and has relevant experience from his involvement in the board committees of listed companies.

The Audit Committee has written terms of reference endorsed by the Board, setting out their duties and responsibilities. The Audit Committee is authorised by the Board to investigate any matter within its terms of reference and has full access to, and co-operation of Management, with full discretion to invite any director or executive officer to attend its meetings. It has adequate resources to enable it to discharge its functions properly. During the meetings of the Audit Committee held during the financial year, the Audit Committee performed its functions and responsibilities as set out in its terms of reference, which include the following:

- Reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance;

- Reviewing and reporting to the Board annually the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance controls and information technology controls and risk management systems;

- Reviewing the effectiveness of the Group's internal audit function;

- Reviewing the scope, approach and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors;

- Reviewing the nature and extent of the external auditors' non-audit services to the Group as well as the extent of reliance placed by the external auditors on the internal auditor's work, seeking to maintain the balance of objectivity and value for money;

- Making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

- Reviewing both internal and external auditors' audit plans and reports, the external auditors' evaluation of the system of internal accounting controls, as well as the assistance given by Management to both the internal and external auditors; and

- Reviewing the quarterly and full-year financial reports of the Group, prior to their submission to the Board.

To assist the Audit Committee in reviewing the Group's financial and operating performance, the Audit Committee has invited the heads of all business units to present the financial and operating performance of their respective units, explaining variances from budgets to understanding the challenges they face. This would enable the Audit Committee to have a better understanding of the financial statements as well as the operations of the Group.

The Audit Committee has reviewed and is satisfied with the level of co-operation rendered by the Management to the external auditors, the adequacy of scope and quality of their audits, and the independence and objectivity of the external auditors. In the course of its review, the Audit Committee also met with the external auditors without the presence of the Management to discuss the reasonableness of the financial reporting process and controls, and the significant comments and recommendations by the external auditors.

During the various meetings that the Audit Committee had with the external auditors and the Company's chief financial officer, members of the Audit Committee are briefed by them on the various accounting standards, including changes and issues that affect the Group's financial reporting.

Auditors' independence

The Audit Committee is satisfied with the independence and objectivity of the external auditors and recommends the Board the nomination of the external auditors for re-appointment. The Audit Committee has conducted an annual review of all non-audit services provided by the external auditors and is satisfied that the nature and extent of such services do not affect the independence of the external auditors.

The fees paid to the external auditors of the Company during the financial year for both audit and non-audit services are as follows:

	Audit fee	Non-audit fee
Fee paid to external auditors	S$118,000	S$6,500

The non-audit fee related to tax filing services.

Compliance with SGX Mainboard Rule 712, Rule 715 and Rule 716

The Audit Committee is satisfied that the Group has complied with Rules 712 and Rule 715 of the SGX Mainboard Rules in relation to its selection and appointment of auditing firms.

Whistle blowing programme

The Group is committed to a high standard of ethical conduct and adopts a zero tolerance approach to fraud. The Group will investigate complaints of suspected fraud in an objective manner and has put in place, with the Audit Committee's endorsement, arrangements by staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The objective for such arrangements is to ensure independent investigation of matters raised and to allow appropriate actions to be taken. The results from the investigation are reported directly to the Chairman of the Audit Committee.

Interested Person Transactions

The Group has established procedures to ensure that transactions with interested persons are properly reviewed and approved, and are conducted at arm's length basis and do not prejudice the interests of the Group and its minority shareholders.

There are no interested person transactions during the financial year under review for disclosure pursuant to Chapter 9 of the Listing Manual. There is also no general mandate for interested person transactions.

Material Contracts

There are no material contracts entered by the Group involving the interests of any director or controlling shareholder during the financial year.

Internal Audit

Principle 13: The Group should establish an effective internal audit function that is adequate resourced and independent of the activities it audits.

The Board recognises the importance of sound risk management and internal control practices to good corporate governance and has outsourced its internal audit function. The Audit Committee will review its adequacy and effectiveness every year.

Nexia TS Risk Advisory Pte Ltd is the internal auditor for the Group (the "Internal Auditor"). The Internal Auditor reports directly and primarily to the Chairman of the Audit Committee with administrative reporting to the Executive Chairlady. The appointment, removal, evaluation and compensation of the Internal Auditor is decided by the Audit Committee. The Audit Committee will ensure that the Internal Auditor is qualified and appropriate to undertake the tasks and have unfettered access to the Audit Committee in carrying out its entrusted tasks.

The Internal Auditor assists the Board and Audit Committee in monitoring risks and internal controls of the Group.

In assessing the design and operating effectiveness of internal controls, the Group has in place a system of internal control to ensure:

- Assets are safeguarded;
- Fraud or errors in the accounting records are prevented or detected;
- Accuracy and completeness of accounting records are ensured;
- Reliable financial information is prepared in a timely manner; and
- Financial reporting process is in compliance with applicable internal policies, laws and regulations.

During the financial year, the Audit Committee has reviewed the report by the Internal Auditor, as well as discussed with the Management of the Group and the external auditors, and were satisfied with the robustness and effectiveness of the internal controls. The Audit Committee is satisfied that the Management has devised and maintained a system of internal accounting controls that is sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised usage or disposition; and transactions are properly authorised and are recorded as necessity to permit the preparation of true and fair profit and loss accounts and balance sheet, and to maintain accountability of assets.

Based on the internal controls established and maintained by the Group, work performed by the Internal and external auditors, reviews performed by the Management and Committees are of the opinion that the Group's internal controls are adequate and effective to address the financial, operational, information technology control, compliance risk and the risk management system.

The Board acknowledged that it is responsible for the overall internal control framework, but recognises that cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights and Communication with Shareholders

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

All shareholders of the Company receive the Annual Report and Notice of Annual General Meeting ("AGM") yearly. The AGM is the principal forum for dialogue between the Board and the shareholders. The Constitution of the Company also provides for the appointment of proxies to attend the meeting in his or her stead and the proxies need not be shareholders of the Company.

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.

Besides the AGM, the Group believes in regular, effective and fair communication with its shareholders and is committed to hearing shareholders' views and addressing their concerns where possible. The Group 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 Group's investor relations team are reachable via telephony or email services. Material information is published on SGXNET and on the Company's website www.mun-siong.com and where appropriate, through media releases.

The Group monitors the dissemination of material information to ensure that it is publicly available on a timely and non-selective basis. Information relating to the Group which are deemed price sensitive or affecting the decisions of shareholders or investors in investing in the Company's shares, for example, events affecting financial performance, changes in business plans, announcement of financial results and annual reports are announced or issued within the mandatory period as prescribed under the SGX-ST listing rules.

Currently, the Company does not maintain a definitive dividend policy. The amount of dividend proposed or declared is subjected to the financial performance of the Group and availability of excess funds (after taking into consideration of the capital expenditure and working capital requirements for the forthcoming year). While there is no definitive policy, the Board will endeavor to have a dividend rate that reflects closely with the Group's performance.

For the financial year ended 31 December 2015, the Board has proposed, subject to shareholders' approval at the AGM, a total dividend of 0.35 cents per share (compared to 0.50 cents per share for FY2014) comprising a first and final dividend of 0.15 cents per share tax-exempt (one-tier) (unchanged for FY2014) and a special dividend of 0.20 cents per share tax-exempt (one-tier) (compared to 0.35 cents per share for FY2014).

The total dividend proposed for FY2015 is expected to be about S$2.0 million, based on the number of outstanding shares and assuming that all the outstanding warrants are exercised prior to Books Closure Date, as compared to S$2.8 million paid in FY2014. The lower dividend payout for FY2015 is due to the lower profit that the Group achieved.

For FY2015, the total dividend payout (subject to approval) represents about 44.6% of the Group's profit after tax.

Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Group believes in encouraging shareholder participation at general meetings. A shareholder who is entitled to attend and vote, may either vote in person or through the appointment of one or more proxies in absentia. The Company's Constitution do not allow for other absentia voting methods such as by mail, electronic mail, fax and/or any other methods. Such methods will only be implemented if the necessary security and other measures to protect against errors, fraud and other irregularities are addressed and available on a cost-effective basis.

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

At each Annual General Meeting, the members of the Board avail themselves and encourage shareholders to participate in the question and answer session. The external auditors are present to address shareholders' queries on the conduct of the audit and the preparation and content of the auditors' report. The Chairpersons of the Committees, or members of the respective Committees standing in for them, are present at each Annual General Meeting, and other general meetings held by the Company, if any, to address shareholders' queries. Appropriate senior management personnel/ members are also present at general meetings to respond, if necessary, to operational questions from shareholders.

The Company also prepare minutes of general meetings which include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management. These minutes are available to shareholders upon request.

With effect from 1 August 2015, the Listing Rules require companies listed on the SGX-ST (both Catalist and main board) to adopt voting by poll on all resolutions and the disclosure of voting outcome.

At the forthcoming annual general meeting, all resolutions tabled for shareholders' approval shall be decided by poll and the results of the poll will be released in an announcement via the SGXNET.

DEALINGS IN SECURITIES

The Group has adopted an internal code on securities trading for its directors and officers setting out the implications on insider trading. The Group's internal code prohibits its directors and officers from dealing in listed securities of the Company while in possession of price-sensitive information, and during the period commencing two weeks before the date of announcement of results for each of the first three quarters of the Group's financial year and one month before the date of announcement of the full year financial results, and ending on the date of the announcement. Directors are required to notify the Company of their securities trading within two market days of such dealings and the Company shall disseminate such notifications received via SGXNET within one market day upon receipt.

In addition, directors and officers are reminded to observe insider trading laws at all times even when dealing in securities within permitted trading periods. Directors and officers are discouraged from dealing in the Company's securities on short-term considerations.

Use of Proceeds from Rights Issue of Warrants and IPO

(a) Rights Issue of Warrant

In September 2014, the Company successfully completed a rights issue of warrants that involves the issuance of 166,683,200 warrants at the issue price of S$0.0015 per warrant (the "Rights Issue"). The net proceeds raised (after deducting related expenses) was S$77,000.

As at the date of this annual report, the Company had fully utilised the net proceeds to purchase materials for operations. The utilisation is in accordance with its intended purpose as working capital as per our disclosure in the Information Statement dated 18 August 2014.

As at the date of this report, 147,300,100 warrants had been exercised. The proceeds of S$1,473,000 has been applied in the following manner:

Description	**Amount (S$'000)**
Proceeds from warrants conversion	1,473
Purchase of vehicles	(407)
Purchase of equipment	(618)
Purchase of materials and services for operations	(442)
Balance	6

(b) IPO Proceeds

The proceeds raised from the Company's IPO, after deducting listing expenses of approximately S$2.5 million was approximately S$18.9 million. As at the date of this annual report, the Company has utilised its proceeds as follows:

Purpose / Amount (S$'000)	Raised at IPO	Balance b/f	Utilised in FY2015	Balance c/f
To establish a regional presence	4,000	2,219	(9)	2,210
To establish an engineering design centre and upgrade of existing database management system	1,000	459	(80)	379
Widening the range of services available to our customers	12,500	–	–	–
Working capital	1,400	–	–	–
Total	**18,900**	**2,678**	**(89)**	**2,589**

Note: On 20 November 2012, the Company announced on the SGXNET that it will defer its plans to expand its range of services in light of negative sentiments in the process industry. The remaining funds of S$7.7 million earmark for this purpose will be utilised as working capital and the amount had since been fully utilised.

DIRECTORS' STATEMENT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2015.

In our opinion:

(a) the financial statements set out on pages 33 to 75 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

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

Cheng Woei Fen
Peter Sim Swee Yam
David Tan Chao Hsiung
Lau Teik Soon
Quek Kian Hui
Lin Yan (Appointed on 1 September 2015)

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the "Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

	← Direct interests →		← Deemed interests →	
Name of director and corporation in which interests are held	**Holdings at beginning of the year/ date of appointment**	**Holdings at end of the year**	**Holdings at beginning of the year/ date of appointment**	**Holdings at end of the year**
The Company				
Ordinary shares				
Cheng Woei Fen	199,284,000	278,997,600	24,240,000	35,052,000

Name of director and corporation in which interests are held	Direct interests: Holdings at beginning of the year/ date of appointment	Direct interests: Holdings at end of the year	Deemed interests: Holdings at beginning of the year/ date of appointment	Deemed interests: Holdings at end of the year
The Company (continued)				
Ordinary shares (continued)				
Peter Sim Swee Yam	100,000	140,000	–	–
Quek Kian Hui	25,532,000	86,376,800	–	–
Lin Yan	7,266,000	7,266,000	–	–
Warrants				
Cheng Woei Fen	79,713,600	–	9,696,000	–
Peter Sim Swee Yam	40,000	–	–	–
Quek Kian Hui	9,688,800	–	–	–

By virtue of Section 7 of the Act, Cheng Woei Fen is deemed to have interests in the subsidiaries of the Company, all of which are wholly-owned, at the beginning and at the end of the financial year.

Except as disclosed in this statement, no director who held office at the end of the financial year had interest in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

There were no changes in any of the abovementioned interest in the Company between the end of the financial year and 21 January 2016.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, 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.

Share options

During the financial year, there were:

(i) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries.

As at the end of the financial year, there were no unissued shares of the Company or any of its subsidiaries under option.

Warrants

On 11 September 2014, the Company issued 166,683,200 warrants upon completion of the Proposed Renounceable Non-underwritten Rights Issue of up to 166,683,200 warrants at an issue price of S$0.0015 for each warrant, as announced on 6 May 2014. The warrants were listed and quoted on the MainBoard of the SGX-ST on 15 September 2014. Each warrant carries the right to subscribe for one new ordinary share in the capital of the Company at an exercise price of S$0.01 for each new share over a period of three years from the date of the issue.

During the financial year, 141,835,900 (2014: 5,128,200) warrants were exercised and converted into 141,835,900 (2014: 5,128,200) ordinary shares.

Audit Committee

The members of the Audit Committee during the year and at the date of this statement are:

- David Tan Chao Hsiung (Chairman), non-executive director
- Peter Sim Swee Yam, non-executive director
- Lau Teik Soon, non-executive director

The Audit Committee performs the functions specified in Section 201B of the Act, the SGX Listing Manual and Code of Corporate Governance.

The Audit Committee held four meetings since the last directors' statement. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit Committee has full access to the management and is given the resources required for it to discharge its functions. It has full authority and discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company and subsidiaries, we have complied with Rules 712 and 715 of the SGX Listing Manual.

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Cheng Woei Fen
Director

Quek Kian Hui
Director

11 March 2016

INDEPENDENT AUDITORS' REPORT

Members of the Company
Mun Siong Engineering Limited

Report on the financial statements

We have audited the accompanying financial statements of Mun Siong Engineering Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 33 to 75.

Management's responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date.

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 subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
11 March 2016

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

		Group		Company	
	Note	2015	2014	2015	2014
		$'000	$'000	$'000	$'000
Assets					
Property, plant and equipment	4	16,789	17,338	14,795	15,791
Intangible asset	5	1,040	1,189	1,040	1,189
Goodwill on consolidation	6	1,001	1,001	–	–
Investment properties	7	1,310	1,310	1,310	1,310
Subsidiaries	8	–	–	4,436	4,301
Deferred tax assets	9	–	62	–	–
Non-current assets		20,140	20,900	21,581	22,591
Inventories	10	146	250	146	250
Contract work-in-progress	11	8,601	10,700	7,312	9,075
Trade and other receivables	12	21,254	21,881	20,002	21,005
Cash and cash equivalents	13	24,804	15,538	11,140	4,515
Asset classified as held for sale	14	–	180	–	–
Current assets		54,805	48,549	38,600	34,845
Total assets		74,945	69,449	60,181	57,436
Equity					
Share capital	15	26,066	24,582	26,066	24,582
Capital reserve	16	9	75	9	75
Translation reserve	17	6	(6)	–	–
Retained earnings		31,565	29,763	17,895	19,055
Total equity		57,646	54,414	43,970	43,712
Liabilities					
Loans and borrowings	18	–	697	–	697
Provision for restoration costs	19	304	120	304	120
Deferred tax liabilities	9	1,408	1,570	1,281	1,421
Non-current liabilities		1,712	2,387	1,585	2,238
Trade and other payables	20	13,165	11,660	12,305	10,692
Excess of progress billings over contract work-in-progress	11	1,380	16	1,377	–
Loans and borrowings	18	698	794	698	794
Current tax payable		344	178	246	–
Current liabilities		15,587	12,648	14,626	11,486
Total liabilities		17,299	15,035	16,211	13,724
Total equity and liabilities		74,945	69,449	60,181	57,436

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	Note	2015 $'000	2014 $'000
Revenue	21	76,185	80,085
Cost of sales		(67,191)	(68,142)
Gross profit		8,994	11,943
Other income	22	1,793	1,030
Administrative expenses		(6,210)	(6,856)
Other operating expenses		(28)	(747)
Results from operating activities		4,549	5,370
Finance costs	23	(38)	(38)
Profit before tax	24	4,511	5,332
Tax credit/(expense)	25	71	(471)
Profit for the year		4,582	4,861
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Foreign currency translation difference from foreign operation		12	4
Total comprehensive income for the year		4,594	4,865
Earnings per share			
Basic earnings per share (cents)	26	0.86	1.16
Diluted earnings per share (cents)	26	0.83	1.06

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

Group	Note	Share capital $'000	Capital reserve $'000	Translation reserve $'000	Retained earnings $'000	Total $'000
At 1 January 2014		24,528	–	(10)	25,902	50,420
Total comprehensive income for the year						
Profit for the year		–	–	–	4,861	4,861
Other comprehensive income						
Foreign currency translation difference from foreign operation		–	–	4	–	4
Total comprehensive income for the year		–	–	4	4,861	4,865
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Proceeds from issue of warrants (net of expenses)		–	77	–	–	77
Shares issued for exercise of warrants		54	(2)	–	–	52
Dividends	15	–	–	–	(1,000)	(1,000)
Total transactions with owners		54	75	–	(1,000)	(871)
At 31 December 2014		24,582	75	(6)	29,763	54,414

Group	Note	Share capital $'000	Capital reserve $'000	Translation reserve $'000	Retained earnings $'000	Total $'000
At 1 January 2015		24,582	75	(6)	29,763	54,414
Total comprehensive income for the year						
Profit for the year		–	–	–	4,582	4,582
Other comprehensive income						
Foreign currency translation difference from foreign operation		–	–	12	–	12
Total comprehensive income for the year		–	–	12	4,582	4,594
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Shares issued for exercise of warrants		1,484	(66)	–	–	1,418
Dividends	15	–	–	–	(2,780)	(2,780)
Total transactions with owners		1,484	(66)	–	(2,780)	(1,362)
At 31 December 2015		26,066	9	6	31,565	57,646

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Note	2015 $'000	2014 $'000
Cash flows from operating activities			
Profit before tax		4,511	5,332
Adjustments for:			
Depreciation of property, plant and equipment		3,567	3,443
Amortisation of intangible asset		149	149
Interest expense		38	38
Property, plant and equipment written-off		21	8
Net gain on disposal of property, plant and equipment		(71)	(12)
Provision for foreseeable losses		553	–
Impairment loss on goodwill on consolidation		–	635
Impairment loss on asset classified as held for sale		–	130
Interest income		(190)	(84)
		8,578	9,639
Changes in inventories		104	29
Changes in contract work-in-progress and excess of progress billings over contract work-in-progress		2,910	(5,049)
Changes in trade and other receivables		627	(835)
Changes in trade and other payables		1,505	(1,330)
Changes in provision for restoration costs		184	120
Cash generated from operating activities		13,908	2,574
Tax paid		(191)	(342)
Tax received		328	–
Net cash from operating activities		14,045	2,232
Cash flows from investing activities			
Interest received		190	84
Acquisition of property, plant and equipment		(3,111)	(2,329)
Proceeds from disposal of asset classified as held for sale		180	–
Proceeds from strike off of jointly controlled entity		–	16
Proceeds from disposal of property, plant and equipment		143	12
Net cash used in investing activities		(2,598)	(2,217)
Cash flows from financing activities			
Repayment of loans and borrowings		(793)	(794)
Dividends paid		(2,780)	(1,000)
Proceeds from issue of warrants (net of expenses)		–	77
Proceeds from exercise of warrants		1,418	52
Interest paid		(38)	(38)
Net cash used in financing activities		(2,193)	(1,703)
Net increase/(decrease) in cash and cash equivalents		9,254	(1,688)
Cash and cash equivalents at 1 January		15,538	17,222
Effect of exchange rate fluctuations on cash held		12	4
Cash and cash equivalents at 31 December	13	24,804	15,538

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

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 11 March 2016.

1 Domicile and activities

Mun Siong Engineering Limited (the "Company") is incorporated in the Republic of Singapore on 30 April 1969. The address of the Company's registered office and principal place of business is 35 Tuas Road, Jurong Town, Singapore 638496.

The financial statements of the Group as at and for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The principal activities of the Company are those of mechanical engineering service provider and investment holding company. The principal activities of the subsidiaries are set out in Note 8 to the consolidated financial statements.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS").

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information presented in Singapore dollars have been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 4 – Estimates of useful lives and impairment of property, plant and equipment
- Note 6 – Impairment of goodwill on consolidation
- Note 7 – Valuation of investment properties

2 Basis of preparation (continued)

2.4 Use of estimates and judgements (continued)

- Note 8 – Impairment of subsidiaries
- Note 28 – Impairment of doubtful receivables

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following note:

- Note 21 – Revenue recognition and assessment of risk of foreseeable losses on contracts

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Significant valuation issues are reported to the Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 7 – Valuation of investment properties
- Note 29 – Determination of fair values

2.5 Changes in accounting policies

With effect from 1 January 2015, the Group adopted the new or revised FRS that are mandatory for application from that date. The adoption of these new or revised FRS did not have any significant impact on the financial statements.

3 Significant accounting policies

The accounting policies set out below have been applied consistently by Group entities to all periods presented in these financial statements.

3.1 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combinations* as at the date of acquisition, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by FRSs.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

3 Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

Subsidiaries (continued)

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Subsidiaries

Investments in subsidiaries are stated in the Company's statement of financial position at cost less accumulated impairment losses.

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

3 Significant accounting policies (continued)

3.3 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

3 Significant accounting policies (continued)

3.3 Property, plant and equipment (continued)

Depreciation (continued)

The estimated useful lives for the current and comparative years are as follows:

Leasehold property	Over the remaining lease term of 5 years (2014: 6 years)
Machinery, tools and equipment	5 to 10 years
Furniture and office equipment	3 to 10 years
Motor vehicles	5 years
Other assets	7 to 10 years

Depreciation methods, useful lives and residual values are reviewed at the end of reporting period and adjusted if appropriate.

3.4 Intangible asset

Recognition and measurement

Intangible asset that is acquired by the Company, and has finite useful life is measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated based on the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the intangible asset, from the date that they are available for use. The estimated useful life of the Company's intangible asset representing licensing rights for the current and comparative years is 10 years.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.5 Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in goodwill on consolidation. For the measurement of goodwill at initial recognition, see Note 3.1.

Prior to 1 January 2005, goodwill arising from the acquisition of a subsidiary was stated at cost from the date of initial recognition and amortised over its estimated useful life of 15 years. On 1 January 2005, the Group discontinued amortisation of this goodwill. This remaining goodwill balance is subject to testing for impairment annually.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

3 Significant accounting policies (continued)

3.6 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment properties.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

3.7 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Group's statement of financial position.

3.8 Inventories

Inventories consists mainly of materials used for maintenance contracts and are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

3.9 Contract work-in-progress

Contract work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date (see Note 3.15) less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Contract work-in-progress is presented as part of current assets in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings and recognised losses. If progress billings and recognised losses exceed costs incurred plus recognised profits, then the difference is presented as part of current liabilities in the statement of financial position.

3 Significant accounting policies (continued)

3.10 Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and trade and other receivables.

Cash and cash equivalents comprise cash balances and short-term deposits with original maturities of three months or less.

Non-derivative financial liabilities

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or when they expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings and trade and other payables.

3 Significant accounting policies (continued)

3.10 Financial instruments (continued)

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3.11 Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset, and that the loss event(s) has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor will enter bankruptcy, adverse changes in the payment status of borrowers.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties, inventories and deferred tax asset, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

3 Significant accounting policies (continued)

3.11 Impairment (continued)

Non-financial assets (continued)

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.12 Non-current asset classified as held for sale

A non-current asset that is highly probable to be recovered primarily through sale or rather than through continuing use, is classified as held for sale. Immediately before classification as held for sale, the asset is remeasured in accordance with the Group's accounting policies. Thereafter, the asset is generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

3.13 Employee benefits

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

3 Significant accounting policies (continued)

3.13 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.14 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Restoration costs

Where required by the lease agreements to restore the premises to its original condition, an estimate is made for the costs of dismantling and removing an asset and restoring the site which is recognised at the commencement of the lease and amortised over the period of the lease.

3.15 Revenue

Contract revenue

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity (see Note 3.9).

The stage of completion is measured by reference to the ratio of contract costs incurred to date to the estimated total costs for the contract. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

Maintenance revenue

The Group recognised maintenance revenue when the services are rendered and acceptance form has been acknowledged by the customer.

Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as “other income”.

Interest income

Interest income is recognised as it accrues in profit or loss, using the effective interest method.

3 Significant accounting policies (continued)

3.16 Government grants

Government grants received are recognised as income upon receipt.

3.17 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

3.18 Finance costs

Finance expenses comprise interest expenses on borrowings. Borrowing costs are recognised in profit or loss using the effective interest method.

3.19 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3 Significant accounting policies (continued)

3.19 Tax (continued)

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.20 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is determined by adjusting profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

3.21 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Executive Committee to make decisions about resources to be allocated to the segments and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's Executive Committee include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly head office expenses and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets.

3.22 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. The Group is currently assessing the potential impact of adopting these new standards and interpretations, on the financial statements of the Group and the Company.

These new standards include, among others, FRS 115 Revenue from Contracts with Customers and FRS 109 Financial Instruments which are mandatory for adoption by the Group on 1 January 2018.

FRS 115 *Revenue from Contracts with Customers*. It establishes a comprehensive framework for determining whether, how much and costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*.

3 Significant accounting policies (continued)

3.22 New standards and interpretations not yet adopted (continued)

FRS 109 *Financial Instruments*. It replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements.

Management is currently evaluating the impact of the implementation of these standards, in view of the complexities and the potential wide-ranging implications.

4 Property, plant and equipment

Group	Leasehold property $'000	Machinery, tools and equipment $'000	Furniture and office equipment $'000	Motor vehicles $'000	Other assets $'000	Total $'000
Cost						
At 1 January 2014	7,460	21,579	2,592	6,021	636	38,288
Additions	–	1,930	69	330	–	2,329
Transfers	–	71	–	(71)	–	–
Disposals/Write-offs	–	(140)	(62)	(150)	(87)	(439)
At 31 December 2014	7,460	23,440	2,599	6,130	549	40,178
Additions	229	1,876	412	594	–	3,111
Disposals/Write-offs	–	(699)	(477)	(302)	–	(1,478)
At 31 December 2015	7,689	24,617	2,534	6,422	549	41,811
Accumulated depreciation						
At 1 January 2014	3,008	9,786	1,152	5,457	471	19,874
Depreciation	675	1,872	237	539	74	3,397
Transfers	–	1,061	–	(1,061)	–	–
Disposals/Write-offs	–	(134)	(61)	(149)	(87)	(431)
At 31 December 2014	3,683	12,585	1,328	4,786	458	22,840
Depreciation	805	1,867	307	566	22	3,567
Disposals/Write-offs	–	(678)	(475)	(232)	–	(1,385)
At 31 December 2015	4,488	13,774	1,160	5,120	480	25,022
Carrying amounts						
At 1 January 2014	4,452	11,793	1,440	564	165	18,414
At 31 December 2014	3,777	10,855	1,271	1,344	91	17,338
At 31 December 2015	3,201	10,843	1,374	1,302	69	16,789

4 Property, plant and equipment (continued)

Company	Leasehold property $'000	Machinery, tools and equipment $'000	Furniture and office equipment $'000	Motor vehicles $'000	Other assets $'000	Total $'000
Cost						
At 1 January 2014	7,595	20,495	2,410	5,168	520	36,188
Additions	–	1,370	57	129	–	1,556
Transfers	–	71	–	(71)	–	–
Disposals/Write-offs	–	–	–	(129)	–	(129)
At 31 December 2014	7,595	21,936	2,467	5,097	520	37,615
Additions	229	1,410	386	205	–	2,230
Disposals/Write-offs	–	(593)	(9)	(109)	–	(711)
At 31 December 2015	7,824	22,753	2,844	5,193	520	39,134
Accumulated depreciation						
At 1 January 2014	3,006	9,417	998	5,047	345	18,813
Depreciation	673	1,789	228	377	73	3,140
Transfers	–	1,061	–	(1,061)	–	–
Disposals/Write-offs	–	–	–	(129)	–	(129)
At 31 December 2014	3,679	12,267	1,226	4,234	418	21,824
Depreciation	797	1,732	273	380	22	3,204
Disposals/Write-offs	–	(572)	(8)	(109)	–	(689)
At 31 December 2015	4,476	13,427	1,491	4,505	440	24,339
Carrying amounts						
At 1 January 2014	4,589	11,078	1,412	121	175	17,375
At 31 December 2014	3,916	9,669	1,241	863	102	15,791
At 31 December 2015	3,348	9,326	1,353	688	80	14,795

Estimates of useful lives and impairment of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The estimation of useful lives is based on assumptions about wear and tear, ageing, technical standards and changes in demand as well as the Group's historical experience with similar assets. Changes in these factors may impact the useful lives of assets, which could result in higher annual depreciation expenses.

The Group also assesses its property, plant and equipment annually for indicators of impairment. This impairment takes into account the market value of the asset, changes to the technological, market, economic or legal environment in which the Group operates, market interest rates, evidence of obsolescence or physical damage to the property, plant and equipment and changes to the expected usage to the property, plant and equipment. Based on this assessment, no impairment is necessary as at the statement of financial position date.

Leased motor vehicles and machinery, tools and equipment

The Group and the Company leases motor vehicles and machinery, tools and equipment under a number of finance lease agreements. At 31 December 2015, the net carrying amount of leased motor vehicles and machinery, tools and equipment secured under these facilities was $2,427,000 (2014: $2,779,000).

5 Intangible asset

Group and Company	Licensing rights $'000
Cost	
At 1 January 2014 and 31 December 2014	1,487
Additions	–
At 31 December 2015	1,487
Accumulated amortisation	
At 1 January 2014	149
Amortisation	149
At 31 December 2014	298
Amortisation	149
At 31 December 2015	447
Carrying amounts	
At 1 January 2014	1,338
At 31 December 2014	1,189
At 31 December 2015	1,040

6 Goodwill on consolidation

	Group	
	2015 $'000	2014 $'000
Cost		
At 1 January and 31 December	1,636	1,636
Accumulated impairment		
At 1 January	635	–
Impairment loss for the year	–	635
At 31 December	635	635
Carrying amounts		
At 1 January and 31 December	1,001	1,001

For the purpose of annual impairment testing, the recoverable amounts of the cash-generating units are determined based on their value-in-use calculations.

Impairment test for goodwill

The carrying amounts of the Group's goodwill on consolidation of subsidiaries were assessed for impairment for the financial year ended 31 December 2015. For the purpose of impairment testing, goodwill is allocated to the electrical and instrumentation cash-generating unit.

6 Goodwill on consolidation (continued)

Impairment test for goodwill (continued)

	Group		Pre-tax discount rate(1)		Terminal growth rate(2)	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
	$'000	**$'000**	**%**	**%**	**%**	**%**
Carrying amount of goodwill in:						
Electrical and instrumentation CGU	1,001	1,001	11.7	11.7	0.0	1.0

(1) The discount rate used is based on Weighted Average Cost of Capital (WACC) where the cost of a company's debt and equity capital are weighted to reflect its capital structure.

(2) The long-term terminal growth rate has been determined based on the long-term expected inflation rate for the respective industry in which the cash-generating unit operates estimated by management by reference to forecasts included in industry reports and expected market development.

The recoverable amount of the electrical and instrumentation cash-generating unit was based on its value-in-use. Value-in-use was determined by discounting the future cash flows generated from the continuing use of cash-generating unit and was based on the following key assumptions:

- Cash flows were projected based on past performance and management's expectation of market developments and future cash flows based on existing and newly secured projects and maintenance contracts as well as historical trend for a one-year time horizon. The anticipated annual revenue growth included in the cash flow projections in the second and third year of the forecast period was approximately 0.4% (2014: 1.1%). Management believes that the forecast periods were justified due to the short to medium-term nature of the projects and the average growth levels experienced over the last five years.

- Cash flows beyond the terminal year are extrapolated using the estimated terminal growth rates stated in the table above.

- Pre-tax discount rate stated in the table above was applied in determining the recoverable amount of the cash-generating unit. The discount rate used reflects specific risks relating to the cash-generating unit.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external and internal sources.

In 2015, based on the above key assumptions, the recoverable amount exceeded the carrying amount.

In 2014, the recoverable amount of the rotating equipment cash-generating unit was determined to be lower than the carrying amount due to continued losses incurred, and an impairment loss of $635,000 was recognised in "other operating expenses" in the statement of comprehensive income.

7 Investment properties

		Group		Company	
	Note	2015 $'000	2014 $'000	2015 $'000	2014 $'000
At 1 January		1,310	1,620	1,310	1,310
Reclassification to asset classified as held for sale	14	–	(310)	–	–
At 31 December		1,310	1,310	1,310	1,310

As at 31 December 2015, investment properties are stated at fair value based on valuations performed by an independent professional valuer, Asian Appraisal Company Private Limited. In determining the fair value, the valuers have used valuation techniques which involve certain estimates. In relying on the valuation reports, management has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of current market conditions. The valuation reports were prepared in accordance with recognised appraisal and valuation standards. The estimates underlying the valuation techniques in the next financial year may differ from current estimates, which may result in valuations that may be materially different from the valuations as at the reporting date.

The fair values are based on open market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction wherein the parties had each acted knowledgeably, prudently and without compulsion.

The valuers have considered valuation techniques including the direct comparison method in arriving at the open market value as at the reporting date. The direct comparison method involves the analysis of comparable sales of similar properties and adjusting the sale prices to be more reflective of the investment properties.

Investment properties comprise a number of commercial properties that are leased to third parties. Each of the leases contains initial non-cancellable periods of between 1 to 2 years. Subsequent renewals are negotiated with the leasees. No contingent rents are charged.

The investment properties as at reporting date, all of which are located in Singapore, are as follows:

	Tenure	Existing use
151 Chin Swee Road, #08-07 Manhattan House, Singapore 169876	99	Rental property
151 Chin Swee Road, #08-14 Manhattan House, Singapore 169876	99	Rental property

8 Subsidiaries

	Company	
	2015 $'000	2014 $'000
Unquoted equity investments, at cost	5,936	4,936
Allowance for impairment loss	(1,500)	(635)
	4,436	4,301

8 Subsidiaries (continued)

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Effective equity held by the Company 2015 %	Effective equity held by the Company 2014 %
OHM Engineering Pte Ltd[1]	Mechanical and electrical engineering services	Singapore	100	100
Wing Wah Industrial Services Pte. Ltd.[1]	Mixed construction activities, manufacturing activities and process plant engineering services	Singapore	100	100
Pegasus Advance Engineering Pte. Ltd.[1]	Process and industrial engineering services and other engineering activities including scaffolding work	Singapore	100	100
Mun Siong Engineering Sdn Bhd[2]	Provision of engineering services and contractor to the process industries in Malaysia	Malaysia	100	100

(1) Audited by KPMG LLP.

(2) Audited by Smalley & Co., Malaysia.

Impairment loss

The Company assesses at each balance sheet date whether there is any objective evidence that the Company's investments in subsidiaries are impaired. This assessment takes into account the operating performance of the subsidiaries and changes in the technological, market, economic or legal environment in which the subsidiaries operate. Due to continued losses incurred by a subsidiary, management performed an assessment to determine the recoverable value of the investment in the subsidiary. Based on this assessment, the Company's investment in the subsidiary has been impaired to its net assets as at 31 December 2015, which approximates the fair value less cost to sell method as the net assets comprise predominantly current monetary items (2014: value-in-use method) and an impairment loss of $865,000 (2014: $635,000) was recognised.

9 Deferred tax assets and liabilities

Movements in temporary differences during the year are as follows:

Group	At 1 January 2014 $'000	Recognised in profit or loss (Note 25) $'000	At 31 December 2014 $'000	Recognised in profit or loss (Note 25) $'000	At 31 December 2015 $'000
Deferred tax assets					
Unutilised tax losses and capital allowances	(228)	166	(62)	–	(62)
Deferred tax liabilities					
Property, plant and equipment	1,458	112	1,570	(100)	1,470
Company					
Deferred tax liabilities					
Property, plant and equipment	1,411	10	1,421	(140)	1,281

9 Deferred tax assets and liabilities (continued)

Deferred tax liabilities and assets are set off when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The amounts determined after appropriate offsetting included in the balance sheet are as follows:

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Deferred tax assets	–	(62)	–	–
Deferred tax liabilities	1,408	1,570	1,281	1,421
	1,408	1,508	1,281	1,421

10 Inventories

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Consumables	146	250	146	250

In 2015, changes in consumables recognised as cost of sales amounted to $321,000 (2014: $205,000).

11 Contract work-in-progress and excess of progress billings over contract work-in-progress

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Costs incurred and attributable profits	27,912	28,909	23,229	22,785
Provision for foreseeable losses	(553)	–	(553)	–
Progress billings	(20,138)	(18,225)	(16,741)	(13,710)
	7,221	10,684	5,935	9,075
Comprising:				
Due from customers on construction contracts	8,601	10,700	7,312	9,075
Excess of progress billings over contract work-in-progress	(1,380)	(16)	(1,377)	–
	7,221	10,684	5,935	9,075

In 2015, changes in contract work-in-progress recognised as cost of sales amounted to $30,828,000 (2014: $32,533,000).

During the financial year, the Group conducted a review of its long-term construction contracts and concluded that certain contracts with customers were loss-making. As a result, provision for foreseeable losses of $553,000 (2014: Nil) was recognised.

12 Trade and other receivables

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Trade receivables	19,671	20,389	17,638	18,433
Amounts due from subsidiaries (non-trade)	–	–	872	1,263
Deposits	1,271	1,222	1,221	1,096
Other receivables	81	5	81	–
Loans and receivables	21,023	21,616	19,812	20,792
Prepayments	231	265	190	213
	21,254	21,881	20,002	21,005

The non-trade amounts due from subsidiaries are unsecured and interest free, and are repayable on demand.

The Group's and the Company's exposure to credit and currency risks, and impairment losses related to loans and receivables are disclosed in Note 28.

13 Cash and cash equivalents

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Cash at bank and on hand	11,973	6,896	10,140	4,448
Fixed deposits	12,831	8,642	1,000	67
Cash and cash equivalents in the consolidated statement of cash flows	24,804	15,538	11,140	4,515

Fixed deposits placed with financial institutions have maturity periods ranging from one to three months (2014: one to three months) from the financial year end and interest rates ranging from 0.69% to 1.60% (2014: 0.46% to 1.50%) per annum, which are also the effective interest rates.

The Company's exposure to interest rate risk for cash and cash equivalents is disclosed in Note 28.

14 Asset classified as held for sale

In 2014, the Group was in the process of completing the sale of an investment property at 27A Jurong Port Road, Blk 6, #01-12, Singapore 619101. Accordingly, the investment property was reclassified from investment property to "asset classified as held for sale" as at 31 December 2014. The carrying amount was reduced to the consideration amount of $180,000 and an impairment charge of $130,000 was recognised in "other operating expenses" in the statement of comprehensive income. Completion of the sale was in progress and was subject to several conditions precedent, including consent of relevant governmental and regulatory authorities.

The sale was completed in March 2015.

15 Share capital

	Ordinary shares	
	2015	2014
	Number of shares	Number of shares
	'000	'000
Company		
In issue at 1 January	421,836	416,708
Exercise of warrants	141,836	5,128
In issue at 31 December	563,672	421,836

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Issue of ordinary shares

141,836,000 (2014: 5,128,000) ordinary shares were issued as a result of the exercise of warrants arising from the warrants issue. The warrants were exercised at an exercise price of $0.01 per share. All issued shares were fully paid.

Dividends

The following tax exempt (one-tier) dividends were declared and paid by the Group and Company:

	Group and Company	
	2015	2014
	$'000	$'000
Paid by the Company to owners of the Company		
0.50 cents per ordinary share (2014: 0.24 cents), comprising a final dividend of 0.15 cents per ordinary share (2014: 0.15 cents) and a special dividend of 0.35 cents per ordinary share (2014: 0.09 cents)	2,780	1,000

After the respective reporting dates, the following tax exempt (one-tier) dividends were proposed by the directors. These tax exempt (one-tier) dividends, based on the number of issued shares as at 31 December 2015 and 31 December 2014, have not been provided for.

	Group and Company	
	2015	2014
	$'000	$'000
0.35 cents per ordinary share (2014: 0.50 cents), comprising a final dividend of 0.15 cents per ordinary share (2014: 0.15 cents) and a special dividend of 0.20 cents per ordinary share (2014: 0.35 cents)	1,973	2,109

15 Share capital (continued)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains sound capital position in order to support its business and maximise shareholders' value. The Group is also committed to maintain efficient mix of debt and equity in order to achieve optimal cost of capital, while taking into account the adequacy of access to cash flows.

The Group manages its capital structure and makes alignment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may align the dividend payment to shareholders, return capital to shareholders or issue new shares.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

16 Capital reserve

Capital reserve comprise net proceeds (after deducting professional fees and related expenses) from the issue of warrants less shares issued upon the exercise of warrants.

17 Translation reserve

Translation reserve comprise foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the presentation currency of the Group.

18 Loans and borrowings

	Group and Company	
	2015	**2014**
	$'000	**$'000**
Non-current liabilities		
Finance lease liabilities	–	697
Current liabilities		
Finance lease liabilities	698	794
Total loans and borrowings	698	1,491

18 Loans and borrowings (continued)

Finance lease liabilities

Finance lease liabilities were payable as follows:

	Future minimum lease payments 2014 $'000	Interest 2014 $'000	Principal 2014 $'000	Future minimum lease payments 2015 $'000	Interest 2015 $'000	Principal 2015 $'000
Group and Company						
Within one year	832	38	794	731	33	698
Between one and five years	731	34	697	–	–	–
	1,563	72	1,491	731	33	698

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	Currency	Nominal interest rate %	Year of maturity	Face value $'000	Carrying amount $'000
Group and Company					
2015					
Fixed rate finance leases	SGD	1.2%	2016	731	698
2014					
Fixed rate finance leases	SGD	1.2%	2016	1,563	1,491

At the balance sheet date, the finance lease liabilities were secured by the motor vehicles and machinery, tools and equipment of the Group and the Company as disclosed in Note 4.

The Group's and the Company's exposure to liquidity and interest rate risks for loans and borrowings are disclosed in Note 28.

19 Provision for restoration costs

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Balance at 1 January	120	–	120	–
Provision made during the year	184	120	184	120
Balance at 31 December	304	120	304	120

The provision for restoration costs relates to costs for dismantling and removing of assets and restoring the leased premises to its original condition as required by the operating lease agreements.

20 Trade and other payables

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Trade payables	4,773	6,082	4,651	5,684
Amounts due to subsidiaries (trade)	–	–	373	150
Other payables and accruals	8,392	5,578	7,281	4,858
	13,165	11,660	12,305	10,692

The Group's and the Company's exposure to liquidity and foreign currency risks related to trade other payables are disclosed in Note 28.

21 Revenue

	Group	
	2015	2014
	$'000	$'000
Contract revenue	40,432	43,276
Rendering of maintenance services	35,753	36,809
	76,185	80,085

Revenue recognition and assessment of risk of foreseeable losses on construction contracts

The Group recognises contract revenue in profit or loss in proportion to the stage of completion of the respective contracts as soon as the outcome of the construction contract can be estimated reliably. The stage of completion is measured by reference to the ratio of contract costs incurred to date to the estimated total costs to complete the contract. Significant judgement is required in determining the stage of completion, the estimated total contract revenue and estimated total contract cost to completion, as well as the recoverability of the contract cost incurred.

Estimation of total contract revenue also includes an estimation of the variation works that are recoverable from the customers. In making the judgement, the Group relies on past experience and/or the work of the relevant professionals.

The estimation of total contract costs to completion is based on historical experience and contractual arrangements with contractors/suppliers. The estimated total costs to completion for each project is reviewed on a regular basis by the Group in order to determine whether any allowance for foreseeable loss is required. Actual costs could differ from the estimates.

22 Other income

	Group	
	2015	2014
	$'000	$'000
Rental income	209	240
Interest income	190	84
Gain on disposal of property, plant and equipment	71	12
Gain on disposal of scraps	180	185
Government grants	317	71
Others	826	438
	1,793	1,030

23 Finance costs

	Group	
	2015	2014
	$'000	$'000
Interest expense on loans and borrowings	38	38

24 Profit before tax

The following items have been included in arriving at profit before tax:

	Group	
	2015	2014
	$'000	$'000
Staff costs	37,854	38,506
Contribution to defined contribution plansincluded in staff costs	1,379	1,222
Depreciation of property, plant and equipment	3,567	3,443
Amortisation of intangible asset	149	149
Operating lease expenses	676	476
Operating expenses arising from rental of investment properties	15	25
Audit fees paid to:		
- auditors of the Company	118	118
- other auditors	1	1
Non-audit fees paid to auditors of the Company	7	7
Property, plant and equipment written-off	21	8
Net foreign exchange loss/(gain)	6	(26)
Impairment loss on goodwill on consolidation	–	635
Impairment loss on asset classified as held for sale	–	130
Provision for foreseeable losses	553	–

25 Tax (credit)/expense

	Group	
	2015	2014
	$'000	$'000
Current tax expense		
Current year	287	180
(Over)/under provision for prior years	(258)	13
	29	193
Deferred tax expense		
Origination and reversal of temporary differences	(100)	50
Under provision for prior years	–	228
	(100)	278
Total tax expense	(71)	471

25 Tax (credit)/expense (continued)

	Group 2015 $'000	Group 2014 $'000
Reconciliation of effective tax rate		
Profit before tax	4,511	5,332
Tax using the Singapore tax rate of 17% (2014: 17%)	767	906
Non-deductible expenses	114	324
Tax incentives	(614)	(373)
Tax exempt income	(92)	(68)
Recognition of tax effect of previously unrecognised tax losses and temporary differences	–	(570)
(Over)/under provision for prior years	(258)	241
Others	12	11
	(71)	471

26 Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2015 was based on the profit attributable to ordinary shareholders of $4,582,000 (2014: $4,861,000), and a weighted-average number of ordinary shares outstanding of 534,596,000 (2014: 417,366,000), calculated as follows:

Profit attributable to ordinary shareholders

	Group 2015 $'000	Group 2014 $'000
Profit for the year	4,582	4,861

Weighted-average number of ordinary shares

	Number of shares '000	Number of shares '000
Issued ordinary shares at 1 January	421,836	416,708
Effect of warrants exercised	112,760	658
Weighted-average number of ordinary shares during the year	534,596	417,366

Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2015 was based on the profit attributable to ordinary shareholders of $4,582,000 (2014: $4,861,000), and a weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 550,856,000 (2014: 460,063,000), calculated as follows:

26 Earnings per share (continued)

Diluted earnings per share (continued)

Profit attributable to ordinary shareholders (diluted)

	Group	
	2015	**2014**
	$'000	**$'000**
Profit for the year	4,582	4,861

Weighted-average number of ordinary shares (diluted)

	Number of shares '000	**Number of shares '000**
Weighted average number of ordinary shares (basic)	534,596	417,366
Effect of warrants on issue	16,260	42,697
Weighted-average number of ordinary shares (diluted) during the year	550,856	460,063

The market value of the Company's shares for purposes of calculating the dilutive effect of warrants was based on quoted market prices as at 31 December 2015.

27 Operating segments

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different marketing strategies.

For each of the strategic business unit, the Group's Executive Committee review internal management reports at least on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- Mechanical : Relates to mechanical engineering services of pre-fabrication, installation of piping works and mechanical de-coking, re-tubing and hydro-jetting.
- Electrical, instrumentation and others : Relates to electrical and instrumentation services of installing transformers, switchgears, lightings, lightning protection, grounding system, distribution control system, field instrument, impulse line, calibration and loop check and, provision of design, supply, fabrication and installation of marine and industrial engineering works; rotary engineering services for the installation, replacement and servicing of rotating equipment such as pumps and compressors; and scaffolding services which includes tower, hanging, cantilever, mobile as well as special PE designed scaffolding.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's Executive Committee. Segment profit is used to measure performance as management believe that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

27 Operating segments (continued)

The segment information provided to the Group's Executive Committee for the reportable segments for the year ended 31 December 2015 and 2014 is as follows:

Business segments

2015	**Mechanical $'000**	**Electrical, instrumentation and others $'000**	**Total $'000**
External revenues	63,933	12,252	76,185
Inter-segment revenue	–	2,133	2,133
Total revenue	63,933	14,385	78,318
Interest income	53	137	190
Interest expenses	38	–	38
Depreciation of property, plant and equipment	3,204	363	3,567
Amortisation of intangible asset	149	–	149
Reportable segment profit before tax	2,618	1,790	4,408
Other material non-cash items:			
Reportable segment assets	53,211	20,424	73,635
Capital expenditure	2,160	951	3,111
Reportable segment liabilities	14,300	1,247	15,547
2014			
External revenues	69,387	10,698	80,085
Inter-segment revenue	–	2,280	2,280
Total revenue	69,387	12,978	82,365
Interest income	28	56	84
Interest expenses	38	–	38
Depreciation of property, plant and equipment	3,187	256	3,443
Amortisation of intangible asset	149	–	149
Reportable segment profit before tax	3,187	2,061	5,248
Other material non-cash items:			
Impairment loss on goodwill on consolidation	–	(635)	(635)
Impairment loss on asset classified as held for sale	–	(130)	(130)
Reportable segment assets	50,262	17,877	68,139
Capital expenditure	1,556	773	2,329
Reportable segment liabilities	10,889	2,398	13,287

27 Operating segments (continued)

Business segments (continued)

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

	2015 $'000	2014 $'000
Revenues		
Total revenue for reportable segments	78,318	82,365
Elimination of inter-segment revenue	(2,133)	(2,280)
Consolidated revenue	76,185	80,085
Profit or loss		
Total profit or loss for reportable segments	4,408	5,248
Elimination of inter-segment income	–	(10)
Unallocated segment profit or loss	103	94
Consolidated profit before tax	4,511	5,332
Assets		
Total assets for reportable segments	73,635	68,139
Investment properties	1,310	1,310
Consolidated total assets	74,945	69,449
Liabilities		
Total liabilities for reportable segments	15,547	13,287
Current tax payable	344	178
Deferred tax liabilities	1,408	1,570
Consolidated total liabilities	17,299	15,035

Major customers

During the financial year ended 31 December 2015, revenue from three major customers of the Group totalled approximately $54,146,000 (2014: $59,159,000). The details of these customers which individually contributed 10 percent or more of the Group's revenue in each of the financial year are as follows:

	2015 $'000	2014 $'000
Customer 1	33,413	44,937
Customer 2	11,175	8,753
Customer 3	9,558	5,469
	54,146	59,159

28 Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, and the Group's objectives, policies and processes for measuring and managing risk.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

Credit risk is the potential financial loss to the Group and Company resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Group, as and when they fall due.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. For the financial year ended 31 December 2015, approximately 71% (2014: 74%) of the Group's revenue was attributable to sales transactions with 3 customers. The Group's most significant customer accounts for $9,936,000 (2014: $9,765,000) of the carrying value of trade receivables as at 31 December 2015. No significant credit risk exposure is expected based on historical data of payment statistics from these customers.

Credit risk concentration profile

The Group determines concentrations of credit risk by also monitoring the ageing of its trade receivables on an on-going basis.

As the Group does 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 statement of financial position. The carrying amounts of trade and other receivables and cash and cash equivalents represented the maximum exposure to credit risk in relation to its financial assets. The Group has no other financial assets which carry significant exposure to credit risk.

28 Financial risk management (continued)

Management of credit risk

- Amounts due from customers are closely monitored and reviewed on a regular basis to identify any non-payment or delay in payment, and to understand the reasons, so that appropriate actions can be taken promptly. The resultant effects of these measures have kept the Group's exposure to bad debts at an insignificant level.

- The Group has established a credit policy under which the creditworthiness of each new customer is evaluated individually before the Group grants credit to the customer. Credit limits are established for each customer, which represents the maximum open amount without requiring approval from the directors. Payments will be required to be made up front by customers who do not meet the Group's credit requirements.

Cash and fixed deposits are placed with banks and financial institutions which are regulated.

Impairment

The ageing of loans and receivables that were not impaired at the reporting date was:

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Not past due	28,613	30,958	26,563	28,947
Past due 0-30 days	513	1,138	130	724
Past due 31-60 days	446	148	429	129
Past due more than 60 days	52	72	2	67
	29,624	32,316	27,124	29,867

The Group evaluates whether there is any objective evidence that loans and receivables are impaired, and determine the amount of impairment loss as a result of the inability of the debtors to make required payments. The Group bases the estimates on the ageing of the loans and receivables balance, creditworthiness of the debtors and historical write-off experience. If the financial conditions of the debtors were to deteriorate, actual write-offs would be higher than estimated.

Amount not paid after the credit period granted will be considered past due. The credit terms granted to customers are based on the Group's assessment of their creditworthiness and in accordance with the Group's policy.

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due. These receivables are mainly arising by customers that have a good payment record with the Group.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting dates. The Group has not recognised impairment losses on certain trade receivables which are past due more than 60 days at the reporting dates as there has not been a significant change in credit quality and the amounts are still considered recoverable. Accordingly, management believes that there is no credit provision required.

28 Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	Within 1 to 5 years $'000
Group				
31 December 2015				
Non-derivative financial liabilities				
Loans and borrowings	698	731	731	–
Trade and other payables	13,165	13,165	13,165	–
	13,863	13,896	13,896	–
31 December 2014				
Non-derivative financial liabilities				
Loans and borrowings	1,491	1,563	832	731
Trade and other payables	11,660	11,660	11,660	–
	13,151	13,223	12,492	731
Company				
31 December 2015				
Non-derivative financial liabilities				
Loans and borrowings	698	731	731	–
Trade and other payables	12,305	12,305	12,305	–
	13,003	13,036	13,036	–
31 December 2014				
Non-derivative financial liabilities				
Loans and borrowings	1,491	1,563	832	731
Trade and other payables	10,692	10,692	10,692	–
	12,183	12,255	11,524	731

28 Financial risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings, including inter-company sales, purchases and inter-company balances that are denominated in a currency other than the respective functional currencies of Group entities. The currency in which these transactions primarily are denominated is the US dollar (USD).

The Group's and the Company's exposures to foreign currency were as follows based on notional amounts:

	USD
	$'000
Group	
2015	
Trade and other receivables	729
Cash and cash equivalents	256
Trade and other payables	(239)
Net exposure	746
2014	
Trade and other receivables	90
Cash and cash equivalents	409
Trade and other payables	(41)
Net exposure	458
Company	
2015	
Trade and other receivables	729
Cash and cash equivalents	256
Trade and other payables	(239)
Net exposure	746
2014	
Trade and other receivables	90
Cash and cash equivalents	406
Trade and other payables	(41)
Net exposure	455

28 Financial risk management (continued)

Sensitivity analysis

A 10% strengthening of the Singapore dollar, as indicated below, against the following currencies at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2014.

	Group Profit or loss $'000	Company Profit or loss $'000
2015		
USD	(75)	(75)
2014		
USD	(46)	(46)

A weakening of the Singapore dollar against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

At the reporting dates, the interest rate profile of the Group's and Company's interest-bearing financial instruments, as reported to management, was as follows:

	Carrying amount	
	2015	2014
Group	$'000	$'000
Fixed rate instruments		
Cash and cash equivalents	12,831	8,642
Finance lease liabilities	(698)	(1,491)
	12,133	7,151
Company		
Fixed rate instruments		
Cash and cash equivalents	1,000	67
Finance lease liabilities	(698)	(1,491)
	302	(1,424)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

28 Financial risk management (continued)

Accounting classifications and fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	Note	Loans and receivables $'000	Other financial liabilities within the scope of FRS 39 $'000	Total carrying amount $'000	Fair value $'000
Group					
31 December 2015					
Trade and other receivables*	12	21,023	–	21,023	21,023
Due from customers on construction contracts	11	8,601	–	8,601	8,601
Cash and cash equivalents	13	24,804	–	24,804	24,804
		54,428	–	54,428	54,428
Finance lease liabilities	18	–	698	698	686
Trade and other payables	20	–	13,165	13,165	13,165
		–	13,863	13,863	13,851
31 December 2014					
Trade and other receivables*	12	21,616	–	21,616	21,616
Due from customers on construction contracts	11	10,700	–	10,700	10,700
Cash and cash equivalents	13	15,538	–	15,538	15,538
		47,854	–	47,854	47,854
Finance lease liabilities	18	–	1,491	1,491	1,455
Trade and other payables	20	–	11,660	11,660	11,660
		–	13,151	13,151	13,115
Company					
31 December 2015					
Trade and other receivables*	12	19,812	–	19,812	19,812
Due from customers on construction contracts	11	7,312	–	7,312	7,312
Cash and cash equivalents	13	11,140	–	11,140	11,140
		38,264	–	38,264	38,264
Finance lease liabilities	18	–	698	698	686
Trade and other payables	20	–	12,305	12,305	12,305
		–	13,003	13,003	12,991
31 December 2014					
Trade and other receivables*	12	20,792	–	20,792	20,792
Due from customers on construction contracts	11	9,075	–	9,075	9,075
Cash and cash equivalents	13	4,515	–	4,515	4,515
		34,382	–	34,382	34,382
Finance lease liabilities	18	–	1,491	1,491	1,455
Trade and other payables	20	–	10,692	10,692	10,692
		–	12,183	12,183	12,147

* *Excludes prepayments.*

28 Financial risk management (continued)

Accounting classifications and fair values (continued)

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, and based on the prevailing rates at the reporting date plus an adequate credit spread, are as follows:

	2015 %	2014 %
Finance lease liabilities	1.70	1.70

29 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Investment properties

The determination of fair value of investment properties is discussed in Note 7 and below.

(b) Loans and borrowings

Fair value, which is determined for disclosure purposes for finance lease liabilities, are calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(c) Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents and trade and other payables) are assumed to approximate their fair values because of the short period maturity.

(d) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used. The different levels have been defined in Note 2.4.

Financial assets and financial liabilities not measured at fair value but for which fair values are disclosed are as follows:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group and Company				
31 December 2015				
Finance lease liabilities	–	686	–	686
31 December 2014				
Finance lease liabilities	–	1,455	–	1,455

29 Determination of fair values (continued)

The following table shows the carrying amounts and fair value of significant non-financial assets, including their levels in the fair value hierarchy.

	Fair value			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
2015 and 2014				
Non-financial assets measured at fair value				
Investment properties	–	1,310	–	1,310
Company				
2015 and 2014				
Non-financial assets measured at fair value				
Investment properties	–	1,310	–	1,310

30 Related party transactions

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel compensation

Key management personnel of the Group are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The members of the Board of Directors are considered to be the key management personnel of the Group.

Key management personnel compensation included in staff costs comprises:

	Group	
	2015 $'000	2014 $'000
Directors' fees	127	112
Directors' remunerations	832	1,087
	959	1,199

31 Commitments

Leases as lessee

The total future minimum lease payments under non-cancellable operating leases in respect of a piece of land, site office and office equipment are payable as follows:

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Within one year	600	673	530	588
Between one and five years	1,869	2,056	1,852	1,937
More than five years	–	276	–	276
	2,469	3,005	2,382	2,801

The Group leases a piece of land from Jurong Town Corporation for a term of 30 years with effect from August 1980 with an option to renew the lease for another 10 years. The lease amount payable annually is subject to yearly revision. In addition, the Group leases office equipment under operating leases for a term of 5 years for a fixed lease payment, with an option to renew the lease after that date.

Minimum lease receivables

The Group's and the Company's total future minimum lease receivables under non-cancellable operating leases are as follows:

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Within one year	68	111	68	99
Between one and five years	16	117	16	117
	84	228	84	216

The Group sub-lets its factory premises, investment properties and plant and equipment under non-cancellable operating lease, which expires in 2016 and 2017 (2014: 2015 and 2017).

32 Subsequent events

Additional investment in subsidiary

On 1 March 2016, the Company increased its investment in the issued and paid-up share capital of OHM Engineering Pte Ltd, a wholly-owned subsidiary, by subscribing for an additional 900,000 new ordinary shares each fully paid-up at an issue price of S$1.00 per ordinary share. The total cash subscription value of $900,000 was funded from the working capital of the Company.

Exercise of warrants

Subsequent to 31 December 2015, 336,000 (2014: 117,019,400) ordinary shares were issued as a result of the exercise of warrants arising from the warrants issue. The warrants were exercised at an exercise price of $0.01 per share. All issued shares were fully paid. Following the issuance of shares by the Company, the Company's share capital increased to $26,069,000 (2014: $25,806,000).

STATISTICS OF SHAREHOLDINGS

As at 18 March 2016

ISSUED AND FULLY PAID SHARE CAPITAL	:	S$26,069,000
NUMBER OF ISSUED SHARES	:	564,008,100
CLASS OF SHARES	:	ORDINARY
VOTING RIGHTS		
- On a show of hands	:	ONE VOTE FOR EACH MEMBER
- On a poll	:	ONE VOTE FOR EACH ORDINARY SHARE HELD
NUMBER OF TREASURY SHARES	:	NIL

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	233	15.54	2,495	0.00
100 - 1,000	201	13.41	197,381	0.03
1,001 - 10,000	314	20.95	1,945,710	0.35
10,001 - 1,000,000	729	48.63	73,306,533	13.00
1,000,001 & ABOVE	22	1.47	488,555,981	86.62
TOTAL	1,499	100.00	564,008,100	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CHENG WOEI FEN	278,997,600	49.47
2	QUEK KIAN HUI (GUO JIANHUI)	86,376,800	15.31
3	QUEK KIAN TECK GABRIEL	33,516,000	5.94
4	GOH HENG CHEW	10,766,000	1.91
5	PHILLIP SECURITIES PTE LTD	10,608,725	1.88
6	OCBC SECURITIES PRIVATE LIMITED	10,517,900	1.86
7	SINGAPORE WAREHOUSE CO PTE LTD	9,400,000	1.67
8	UOB KAY HIAN PRIVATE LIMITED	8,788,400	1.56
9	LIN YAN	7,266,000	1.29
10	GLOBAL TRADE INVESTMENT MANAGEMENT PTE LTD	7,095,000	1.26
11	NG HIAN CHOW	3,540,000	0.63
12	MAYBANK KIM ENG SECURITIES PTE. LTD.	3,041,710	0.54
13	DBSN SERVICES PTE. LTD.	3,000,000	0.53
14	KOH SER KIONG	2,350,000	0.42
15	THNG KIAN TONG	2,325,000	0.41
16	KHOO SWEE JIN	2,300,000	0.41
17	TAY HWA LANG	1,870,000	0.33
18	DBS NOMINEES (PRIVATE) LIMITED	1,592,046	0.28
19	QUEK KENG SIONG	1,536,000	0.27
20	SOH ENG HONG	1,400,000	0.25
		486,287,181	86.22

RULE 723 COMPLIANCE

Based on the information available to the Company as at 18 March 2016, approximately 28.98% of the issued ordinary shares of the Company is held by the public and hence it is in compliance with Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Limited.

SUBSTANTIAL SHAREHOLDERS

	NO. OF SHARES Direct Interest	%	NO. OF SHARES Deemed Interest	%
CHENG WOEI FEN*	278,997,600	49.47	35,052,000	6.21
QUEK KIAN TECK GABRIEL	33,516,000	5.94	0	0.00
QUEK KIAN HUI	86,376,800	15.31	0	0.00

Note:

* Deemed interest of Cheng Woei Fen derived from the interests held by her son, Quek Kian Teck Gabriel, and interest held by her spouse.

STATISTICS OF WARRANTHOLDINGS

As at 18 March 2016

SIZE OF WARRANTHOLDINGS	NO. OF WARRANTHOLDERS	%	NO. OF WARRANTS	%
1 - 99	0	0.00	0	0.00
100 - 1,000	56	18.79	54,800	0.28
1,001 - 10,000	82	27.52	619,400	3.20
10,001 - 1,000,000	158	53.02	13,023,900	67.19
1,000,001 & ABOVE	2	0.67	5,685,000	29.33
TOTAL	298	100.00	19,383,100	100.00

TWENTY LARGEST WARRANTHOLDERS

NO.	NAME	NO. OF WARRANTS	%
1	GOH HENG CHEW	4,397,000	22.68
2	DBSN SERVICES PTE. LTD.	1,288,000	6.65
3	THNG KIAN TONG	980,000	5.06
4	UOB KAY HIAN PRIVATE LIMITED	791,600	4.08
5	MAYBANK KIM ENG SECURITIES PTE. LTD.	686,000	3.54
6	TAN HAI PENG MICHEAL	550,000	2.84
7	ONG HOCK SIONG @ BENNY ONG HOCK SIONG	440,000	2.27
8	GLOBAL TRADE INVESTMENT MANAGEMENT PTE LTD	300,000	1.55
9	DBS NOMINEES (PRIVATE) LIMITED	295,100	1.52
10	TAN HONG HING @ TAN HONG THUAN	280,000	1.44
11	LIM CHOON WAH (LIN CHUNHUA)	240,000	1.24
12	PHILLIP SECURITIES PTE LTD	224,000	1.16
13	LAU CHOR BOH	216,000	1.11
14	LIOW SONG HOCK OR TAN KENG YORK	211,000	1.09
15	ESTATE OF LOH KOK WENG, DECEASED	208,000	1.07
16	CHAN KOK KHOON	200,000	1.03
17	LAW PENG KWEE	180,000	0.93
18	TANG YONG CHOO	180,000	0.93
19	NG KIM ENG	179,000	0.92
20	LIM & TAN SECURITIES PTE LTD	175,000	0.90
		12,020,700	62.01

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of MUN SIONG ENGINEERING LIMITED (the "**Company**") will be held at 35 Tuas Road, Jurong Town, Singapore 638496 on Wednesday, 20 April 2016 at 10.00 am, for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the audited financial statements for the financial year ended 31 December 2015 and the statement by the Directors and report of the Auditors thereon. **[Resolution 1]**

2. To re-elect the following Directors retiring pursuant to the Constitution of the Company:
   i) Cheng Woei Fen (Regulation 98) **[Resolution 2(i)]**
   ii) Peter Sim Swee Yam (Regulation 98) **[Resolution 2(ii)]**
   [See Explanatory Note 1]

3. To re-appoint Lau Teik Soon as a Director of the Company. **[Resolution 3]**
   [See Explanatory Note 2]

4. To declare a first and final dividend of 0.15 cents per ordinary share tax-exempt (one-tier) and a special dividend of 0.20 cents per ordinary share tax-exempt (one-tier) for the financial year ended 31 December 2015. **[Resolution 4]**

5. To approve Directors' fees of up to S$130,000 for the financial year ending 31 December 2016 to be payable quarterly in arrears (2015: S$130,000). **[Resolution 5]**

6. To re-appoint Messrs KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **[Resolution 6]**

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

SPECIAL BUSINESS

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

8. Authority to allot and issue shares and convertible securities **[Resolution 7]**

   "That, pursuant to Section 161 of the Companies Act, Cap. 50 and the rules, guidelines and measures issued by 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 whether by way of rights, bonus or otherwise;

   (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; and

   (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalization issues,

   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 Instruments 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 50 per cent of the total number of issued shares excluding treasury shares (as calculated in accordance with sub-paragraph (2) below), and provided further that where shareholders of the Company are not given the opportunity to participate in the same on a pro-rata basis, then the aggregate number of shares to be issued under such circumstances (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20 per cent of the total number of issued shares excluding treasury shares (as calculated in accordance with sub-paragraph (2) below); and

2) (subject to such manner of calculation and adjustment 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 percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed, after adjusting for:

   (i) new shares arising from the conversion or exercise of any convertible securities;

   (ii) (where applicable) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the Listing Manual of the SGX-ST; and

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

3) in exercising the authority conferred by this Resolution, the Company shall comply with the rules, guidelines and measures issued by the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution 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 to be 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." [See Explanatory Note 3]

9. Proposed Adoption of the Share Purchase Mandate **[Resolution 8]**

"That:-

(A) for the purposes of the Companies Act, Cap. 50, the Constitution of the Company and the Listing Rules of SGX-ST, the Directors of the Company be and are hereby authorised to make purchases or otherwise acquire issued shares in the capital of the Company from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as ascertained as at the date of Annual General Meeting of the Company and subject to any subsequent capital reduction or share consolidation) at the price of up to but not exceeding the Maximum Price as defined under paragraph 2.3.4 of the Addendum to the Annual Report dated 5 April 2016 (the "**Addendum**"), in accordance with the terms of the Share Purchase Mandate set out in the Addendum, and this mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the date on which the next Annual General Meeting of the Company is held or required by law to be held, or the date on which the purchases or acquisitions of shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated, which ever is earlier; and

(B) the Directors of the Company and/or any of them be and is hereby authorised to complete and do such acts and things (including dealing with the Shares purchased by the Company, entering into all transactions, arrangements and agreements and executing such documents as may be required) as they and/or he may consider necessary or expedient to give effect to this Resolution." [See Explanatory Note 4]

By Order of the Board

Seah Hai Yang
Leong Chee Meng Kenneth
Company Secretaries
Singapore, 5 April 2016

Explanatory Notes:

1 **Peter Sim Swee Yam**, if re-elected, will be considered an independent non-executive director and will remain as the Chairman of the Remuneration Committee and a member of both the Audit and the Nominating Committees.

2 **Lau Teik Soon**, was re-appointed as a Director at the previous Annual General Meeting and his tenure of office as a director end at this Annual General Meeting pursuant to Section 153(6) of the Companies Act, Cap 50 which was in place prior to 3 January 2016. Upon being re-appointed, he will be considered an independent non-executive director and will remain as the Chairman of the Nominating Committee and a member of both the Audit and the Remuneration Committees.

3. **Resolution 7**, if passed, will authorise and empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue further shares and to make or grant convertible securities convertible into shares, and to issue shares in pursuance of such instruments, up to an amount not exceeding in aggregate 50 percent of the total number of issued shares (excluding treasury shares) of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20 percent of the total number of issued shares (excluding treasury shares) of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

   For the purpose of this Resolution, the total number of issued shares (excluding treasury shares) is based on the Company's total number of issued shares (excluding treasury shares) at the time this proposed ordinary resolution is passed after adjusting for new shares arising from the conversion or exercise of convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this proposed ordinary resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

4. **Resolution 8**, if passed, will authorise and empower the Directors of the Company to purchase or otherwise acquire Shares on the terms and subject to the conditions of the resolution. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate on the audited financial statements for the financial year ended 31 December 2015 are set out in greater detail in the Addendum despatched together with the Annual Report 2015.

Notes:

(a) A member entitled to attend and vote at the Annual General Meeting (the "Meeting") may appoint not more than two proxies to attend and vote in his/her stead. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. A proxy need not be a member of the Company.

(b) If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

(c) A member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Relevant intermediary has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 as either:

   (i) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

   (ii) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or

   (iii) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

(d) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 35 Tuas Road, Jurong Town, Singapore 638496 not less than 48 hours before the time appointed for holding the Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company:

(i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxy(ies) and representative(s) appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or 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 (or 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 (or 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.

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

IMPORTANT
1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see Note 3 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or is purported to be used by them.
3. Please read the notes to the Proxy Form.

Proxy Form

I/We ______________________ NRIC/Passport No.______________________

of ______________________ (Address)
being a member/members of MUN SIONG ENGINEERING LIMITED (the "Company") hereby appoint

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

or failing *him/her/them, the Chairman of the meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the Annual General Meeting (the "Meeting") of the Company to be held at 35 Tuas Road, Jurong Town, Singapore 638496 on Wednesday, 20 April 2016 at 10.00 am, and at any adjournment thereof.

I/We have directed my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting indicated hereunder. If no specific directions as to voting are given, the proxy/proxies may vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matters arising at the Meeting.

Note: Please indicate with an "**X**" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the **Notice of Annual General Meeting**. In the absence of specific directions or in the event of any item arising not summarised below, the proxy/proxies may vote or abstain as he/she/they may think fit.

No.	Description of Resolutions	For	Against
1	Adoption of audited financial statements for the financial year ended 31 December 2015 and the statement by Directors and report of the Auditors thereon		
2(i)	Re-election of Cheng Woei Fen as a Director		
2(ii)	Re-election of Peter Sim Swee Yam as a Director		
3	Re-appointment of Lau Teik Soon as a Director		
4	First and Final, and Special Dividends		
5	Approval of Directors' fees for financial year ending 31 December 2016		
6	Re-appointment of Messrs KPMG LLP as Auditors		
7	Authority to allot and issue shares and convertible securities		
8	Proposed adoption of the Share Purchase Mandate		

Note: Please note that the short descriptions given above of the Resolutions to be passed do not in any way whatsoever reflect the intent and purpose of the Resolutions. The short descriptions have been inserted for convenience only. Shareholders are encouraged to refer to the **Notice of Annual General Meeting** for the full purpose and intent of the Resolutions to be passed.

Dated this __________ day of ____________________ 2016

Total Number of Shares Held

____
Signature(s) of Member(s)/
Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF

Fold here

Notes:-

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Cap. 289), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend and vote on his behalf at the Annual General Meeting (the "Meeting"). A proxy need not be a member of the Company.
3. Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the Meeting. Relevant intermediary is either:
   (i) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
   (ii) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or
   (iii) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.
4. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 35 Tuas Road, Jurong Town, Singapore 638496 not less than 48 hours before the time appointed for the Meeting.
5. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

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MUN SIONG ENGINEERING LIMITED
35 TUAS ROAD
JURONG TOWN
SINGAPORE 638496

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6. The instrument appointing a proxy or proxies must be under the hand of the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy or proxies 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.
8. A corporation that is a member may authorise by resolution of its directors or other governing body of such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, (Cap. 50).
9. The Company shall be entitled to reject an instrument of proxy 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 instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares 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.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 5 April 2016.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Cheng Woei Fen
Executive Chairlady

Quek Kian Hui
Executive Director

David Tan Chao Hsiung
Non-executive and
Lead Independent Director

Peter Sim Swee Yam
Non-executive and
Independent Director

Lau Teik Soon
Non-executive
and Independent Director

AUDIT COMMITTEE
David Tan Chao Hsiung - *Chairman*
Peter Sim Swee Yam
Lau Teik Soon

REMUNERATION COMMITTEE
Peter Sim Swee Yam - *Chairman*
David Tan Chao Hsiung
Lau Teik Soon

NOMINATING COMMITTEE
Lau Teik Soon - *Chairman*
David Tan Chao Hsiung
Peter Sim Swee Yam

EXECUTIVE COMMITTEE
Cheng Woei Fen
Executive Chairlady

Quek Kian Hui
Executive Director

Lin Yan
Senior Director,
Electrical and Instrumentation

Lim Fung Suan
Senior Director, Maintenance

Seah Hai Yang
Chief Financial Officer

COMPANY SECRETARIES
Seah Hai Yang, *FCA*
Leong Chee Meng Kenneth, *CA*

REGISTERED OFFICE
35 Tuas Road, Jurong Town
Singapore 638496

SHARE AND
WARRANT REGISTRAR
Boardroom Corporate & Advisory
Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

PRINCIPAL BANKERS
United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

Oversea-Chinese
Banking Corporation Limited
65 Chulia Street
#01-01 OCBC Centre
Singapore 049513

AUDITORS
KPMG LLP
Public Accountants and Certified
Public Accountants
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581
Engagement partner since financial
year ended 31 December 2014:
Ms Tan Yek Lee Doreen

MUN SIONG ENGINEERING LIMITED
Company Reg. No. 196900250M
35 Tuas Road, Jurong Town
Singapore 638496
Tel: (65) 6411 6570
Fax: (65) 6862 0218
www.mun-siong.com