MUN SIONG ENGINEERING LIMITED

ANNUAL REPORT 2016

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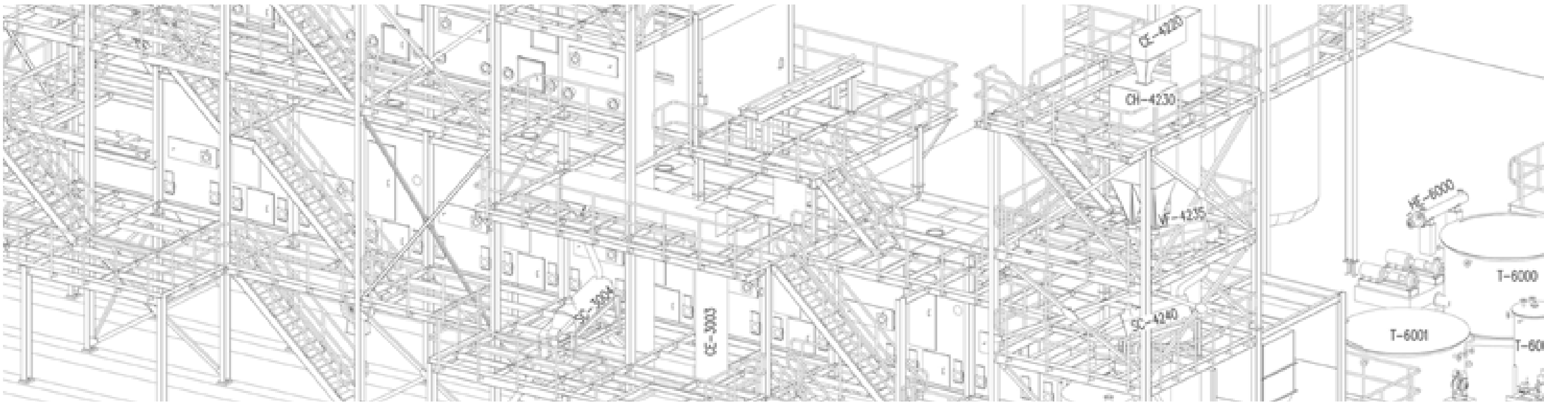
OUR DETERMINATION
OUR STRENGTH

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.



CONTENT

CORPORATE PROFILE

Mun Siong Engineering Ltd is a long established integrated Turnkey Mechanical Engineering, Plant Maintenance and complete Electrical and Instrumentation (E&I) service provider, experienced in combining multi-layer technical competency with an unyielding dedication to safety, efficiency, quality and environmental responsibility. Established in 1969, Mun Siong is an organisation committed to optimising Engineering Design, Manufacture, Installation and Maintenance of packaged process plant based solutions, with particular emphasis on competence, professional delivery and creating value, in streamlining client centric operations.

In 2000, OHM Engineering Pte Ltd was integrated into Mun Siong, introducing a superior Electrical Engineering, Installation and Instrumentation capacity. OHM has brought its' own thirty-two years track record of highly respected and comprehensive solutions provision, extending through to 2016 when they impressively achieved their fourth consecutive (Silver) WSH Safety Performance Award.

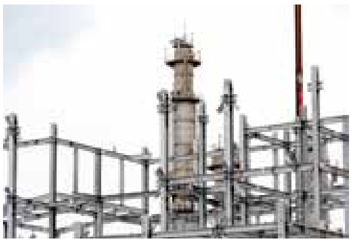
Personnel are key to our success, we have a wealth and range of highly valued employees. Our multi-disciplined and highly experienced engineers are bolstered in their daily management of project work scopes through accessibility to the very latest in premium Engineering, Visualisation and Project Support software. Our teams actively engage internally at all levels, to continually share best practices and ensure maximum efficient use of the latest technologies. This aids our strategic work in planning and resource optimisation, whereby the very best use of materials, time and assets are always achieved.

Our primary activity focuses on support for process plant works and maintenance activities, often in safety critical applications. We extend our complete range of services across a multitude of industrial sectors, including, but not limited to; Oil & Gas, Petrochemical, Energy, Refinery, Storage, Water, Chemical, Biomedical and all other aspects of processing industries.

We listen carefully to our clients and seek to provide solutions at every juncture. We have also recently introduced a specialist combination of supplementary principal overseas partners, in order to offer our clients premium quality products and services within individual aspects of; Rotating Equipment Engineering, Mechanical Seals & Supports Systems, Coatings, Cleaning, Corrosion Protection and Electrical/ Uninterruptable Power Supply (UPS) products. These combine with our existing in-house specialisms of Hydro-jetting, Hydrodrilling, Pressure Vessel Fabrication (ASME U, U2 and R Stamps), Bundle-pulling, Mechanical De-coking, Re-tubing and Tankage construction, all of which complements our existing general process plant Design, Manufacture, Installation and Maintenance solutions.

We are a highly trusted, reliable partner, well regarded amongst professional and experienced Oil Majors, Process Engineering Companies and strategic Global Partners alike. However, we do not rest on our laurels, instead, we continually strive for safety improvements, efficiency enhancements, qualitative advancements and progress in all areas of business excellence. We consider these aspects in all of our routine activities, whilst in conjunction paying attention to the environmental implications of every action, at every level, each and every day.

Steel Structural Project



Scaffolding Services

Exchanger Servicing

Auto Bundle Jetting Service

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
- Exchanger Re-tubing
- Tube Shooting Services for Heat Exchanger
- On-site Flange Re-facing
- Ultra-high Pressure Abrasives Water-jet Cutting Services
- Mechanical De-coking of Heaters
- Anti-Corrosion and Anti-Wear Coatings (Curran International and Oxifree)
- Supply and Repair of Mechanical Seals And Systems (STB GmbH)
- Removal, Servicing, Repairing, Overhauling and Installation of Equipment
- Dynamic Balancing of Rotors and Impellers
- Condition Monitoring
- Fabrication and Assembly of Equipment Packages
- Scaffolding Services

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
- Supply of Uninterruptable Power Supplies (J. Schneider Elektrotechnik)

WING WAH
INDUSTRIAL SERVICES PTE LTD *

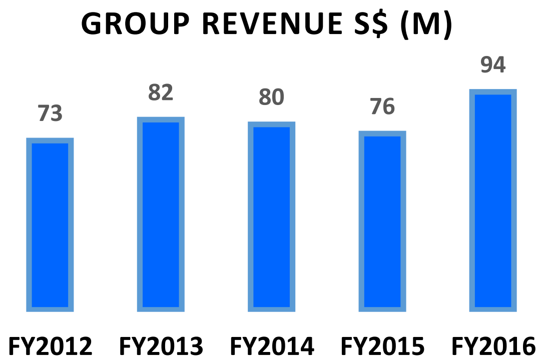
PEGASUS ADVANCE
ENGINEERING LLP

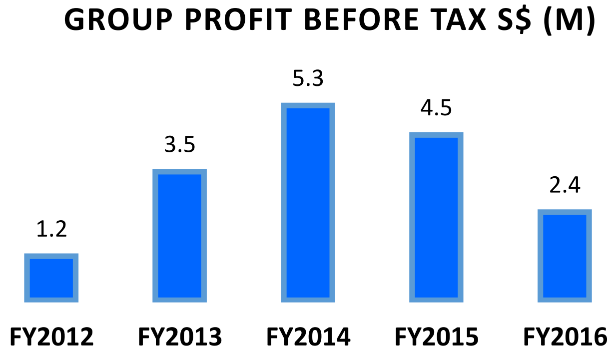
MUN SIONG
ENGINEERING SDN BHD**

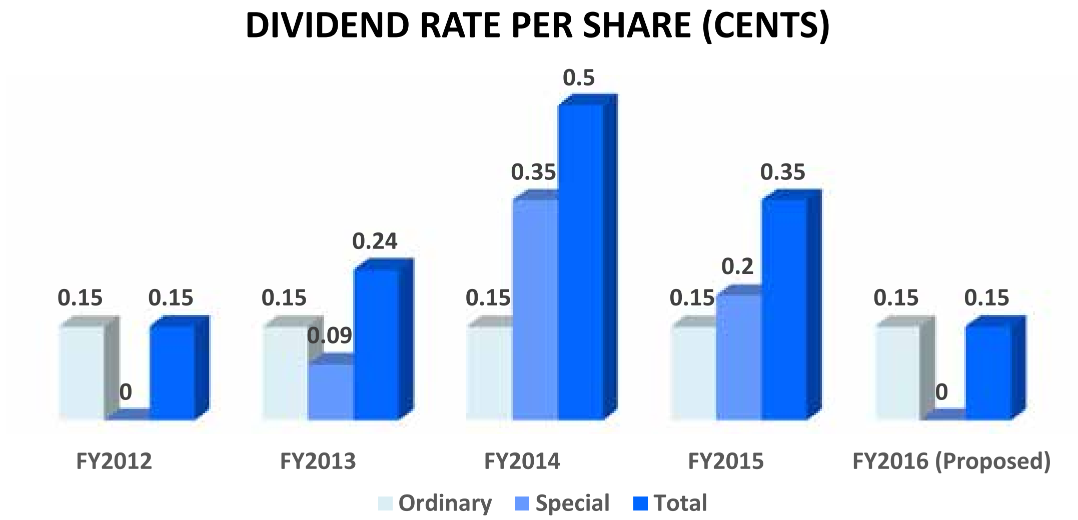
PEGASUS ADVANCE
ENGINEERING PTE LTD ***

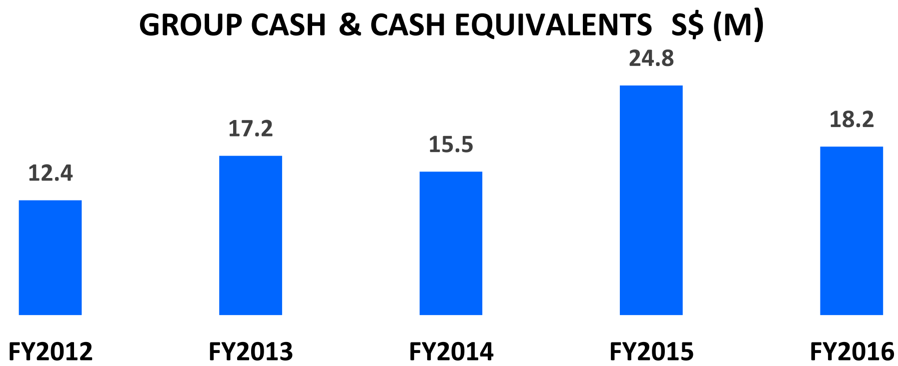
* All operations have been integrated into the parent company
** A dormant company
*** An investment holding company for foreign investment

GROUP FINANCIAL HIGHLIGHTS









FINANCIAL CALENDER 2017 (Tentative Dates)

17-Feb	ANNOUNCEMENT OF FY2016 RESULTS
20-Apr	ANNUAL GENERAL MEETING FOR 2016
5-May	ANNOUNCEMENT OF 1Q2017 RESULTS
8-Aug	ANNOUNCEMENT OF 2Q2017 RESULTS
7-Nov	ANNOUNCEMENT OF 3Q2017 RESULTS

EXECUTIVE CHAIRLADY MESSAGE

CHENG WOEI FEN
EXECUTIVE CHAIRLADY

Faced With Adversity We Summon Up New Strengths To Carry Us To Our Goals

Dear Shareholders, Business Partners and Colleagues

With the fall in crude oil prices coupled with global political uncertainties, 2016 was certainly one of the most challenging years for companies to operate in the oil and gas industry. We are pleased that Mun Siong and its subsidiaries (the "Group") was able to achieve another year of profitability (profit before taxation at S$2.4 million) supported by a higher revenue of S$94.3 million.

The impact to many companies operating solely in the upstream market was devastating. Although the Group's main focus is on the downstream sector, many of the refiners are delaying major capital investment projects in favour of smaller, lower risk revamps and expansions until this phase of uncertainty passes. Moving forward, a larger percentage of this spending will go on small to midsized capital projects, as companies focus on opportunities for early returns on investment, as opposed to pushing for larger projects.

Though the Group was able to secure projects and Turnaround works from existing and new business partners that brought the Group's revenue to S$94.3 million, the increase in cost for the Group to train and recruit the required competent personnel in compliance with Government's laws and regulations for foreign workers, as well as business partners raising their terms and conditions in terms of safety and welfare, have exerted significant pressure on the projects' profit margin, leading to a lower profit before tax attributable to shareholders

One of the challenging areas for the Group is to close the current gap in having sufficient trained and competent manpower available to fulfil and deliver the works under the required landscape set by the operating environment in this highly competitive market. The Group sees the need to make sure that the current gap does not turn into a future shortage. In anticipation of the fast changing open global competitive market, it is necessary for the Group to adopt the principle of diversity in recruiting experienced capable personnel to form the Executive Committee of the Group. This committee consist of personnel from a diversified background, able to advise the Executive Chairlady on effective and efficient functioning of the business of Mun Siong and is responsible for the delivery of our strategy to realise our future.

REALISING OUR FUTURE GOAL

The Group is focused on delivering what is needed in the global market in order to align our business with the prevailing market condition. At the core of our long term business sustainability is the goal to enhance and strengthen our turnkey capabilities. We also continue to expand and grow our business in the region through the provision of our premium detailed engineering project capabilities, and the supply of a wider range

EXECUTIVE CHAIRLADY MESSAGE

of exclusive products and specialised services to our existing as well as new business partners with higher value added propositions.

We have a committee of good leaders who are driven by the values of work commitment and believe that the leadership of people is the key success factor. They are our leaders driving the Group's strategy towards delivering value propositions to our business partners. Our Service Excellence division monitors everyday activities, working with the work crew, looking for opportunities to improve our business and increase the efficiency and productivity of our services.

While we are making progress towards our short term goals to re-align our operational processes and management system, we still have considerably more to do in business development to expand our businesses into foreign countries such as Malaysia, Indonesia, India and Myanmar. Our Group's management as a whole remains focused on aligning our business strategy with the prevailing marketing conditions

At the forthcoming AGM, the Board of Directors is seeking the shareholders' approval for the adoption of the Performance Share Plan as well as the proposed adoption of the New Constitution of the Company and the renewal of Share Purchase Mandate, with the goal of aligning central staff members with the Group's overall objectives of employee retention and succession planning.

THE OUTLOOK

The Group has re-contracted with the two oil majors in Singapore for another three to five years respectively on the tankage rehabilitation, piping and fixed equipment/ mechanical as well as hydro-jetting and re-tubing maintenance service contracts. The Group expects the maintenance contracts to provide a steady flow of work engagements. The challenges that the Group faces in FY2017 may intensify if major global economies weaken further. It will be more challenging for the Group to expand into the regional markets and able to secure profitable projects as a result of keen market competition.

DIVIDEND

For FY2016, the Board of Directors is pleased to propose a final dividend of 0.15 cents per share tax-exempt (one-tier). This represents a pay out of approximately one-third of the Group's attributable profit after income tax.

The proposed final dividend is subject to shareholders' approval at the Annual General Meeting to be held on 20th April 2017. If approved, the payout will be made on 29th May 2017.

ACKNOWLEDGMENT

I would like to thank the Board of directors, the Group function directors, suppliers, colleagues for their contributions during the difficult year in our industry. I would also like to thank our business partners and shareholders for their continuing support.

CHENG WOEI FEN
Executive Chairlady

BOARD OF DIRECTORS

Front Row Left to Right: Peter Sim Swee Yam, Cheng Woei Fen & Quek Kian Hui
Back Row Left to Right: David Tan Chao Hsiung & Lau Teik Soon

EXECUTIVE COMMITEE

Front Row Left to Right: John L. Parkinson, Cheng Woei Fen, Quek Kian Hui & Lim Fung Suan
Back Row Left to Right: Seah Hai Yang, Lin Yan, William M. Watson, & Wei Qian

BOARD OF DIRECTORS

Cheng Woei Fen - Executive Chairlady

Ms Cheng was first appointed to the Board in 1981 and last re-elected as a director on 20 April 2016. She spearheaded the acquisitions of the 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. She also chairs the Executive Committee.

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

Quek Kian Hui - Executive Director

Mr Quek has served as an Executive Director of the Group since being appointed by the Board on 16th June 2014, and is also a member of the Executive Committee. He was last re-elected on 22 April 2015. Prior to joining Mun Siong Engineering, Mr Quek was involved in a major project for Chiyoda Singapore (Pte) Ltd as part of the Mechanical Engineering team, executing a project for Shell. As the Executive Director of Mun Siong Group, Mr Quek oversees the corporate services of the company, including Business Development, Contracts & Procurement, Information Technology, Warehousing and Logistics. His area of responsibility also includes the Specialised Services Department which perform niche maintenance services internationally. In addition, Mr Quek has been able to utilise his strong engineering background to expand their range of engineering services, and he is also keenly driving the company towards a process and data-driven system, suitable for the ever evolving needs of the Group's business partners.

Mr Quek holds a MBA and a Bachelor's degree in Mechanical Engineering from Purdue University, USA.

David Tan Chao Hsiung - Non-Executive and Lead Independent Director

Mr Tan was appointed a Director on 1 October 2012 and last re-elected on 22 April 2015.

He is the Chairman of the Audit Committee and is 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 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 Peter Sim Swee Yam, BBM, PBM was appointed a Director in October 2010 and last re-elected as a director on 20 April 2016. 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; Singapore Reinsurance Corporation Ltd and Lum Chang Holdings Ltd. He also sits on the Board of the Singapore Heart Foundation. Mr Sim holds a degree in Law from the University of Singapore (now known as the National University of Singapore).

Lau Teik Soon - Non-Executive and Independent Director

Dr Lau Teik Soon was first appointed a non-executive director at the Annual General Meeting on 9 April 2013 and last re-elected on 20 April 2016. 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 the legal consultant of Tan Leroy & Associates. He has been involved in various areas of practice, including criminal and civil litigation, family law and arbitration.

Dr Lau currently sits 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 RESPONSIBILITY

The Group views corporate responsibility as a key component of sustainable development. The board considers sustainability as a strategic matter and is committed to the improvement of the social, economic and environmental wellbeing of our communities, as well as their supervision and management. We measure the success of our corporate responsibility through three main strategies including people, safety and health of the business operations; and environmental wellbeing of our communities.

EMPLOYEES

The Group sees our employees to be our greatest asset. We foster a diverse workforce and have a written policy to prevent discrimination in hiring, promotion wages and benefits, training, as well as race, colour, age and gender. All workers are provided with a written statement of employment particulars. The Group strictly prohibits the employment of child labour. Employees undergo various types of training programs to identify and mitigate occupational safety and health risks. All workers who may be exposed to potential hazards are provided with the appropriate protective equipment. The Group provides a wide spectrum of communication channels, including but not limiting to emails, memorandums, newsletters, intranet and staff meetings to communicate with the employees.

SAFETY & HEALTH

To protect the safety and health of our employees, suppliers and communities are key to our long term business success. Ensuring all of our employees' safety and health is an integral part of our core value. We establish emergency operation committee to address emergency and crisis management.

In Mun Siong, we care about the health and well being of our workforce. We arrange health talks to raise awareness on health issues in the workplace as well as how to alleviate problems to our workforce.

ENVIRONMENT

The Group is committed to minimizing the potential impact caused by its operations on the environment and has a system in place for the prevention of environmental pollution. The Group complies with all the applicable regulations governing emission controls and waste management. Water can be a source of energy, it is important for us to prevent adverse impacts to water resources. We have a committee to capture and control the prudent use of energy in the Group. On 17 September 2016, together with more than 3,000 volunteers, the Group participated in the International Coastal Cleanup Singapore (ICCS) at Pulau Ubin, Ubin Village Beach.

COMMUNITY

The Group continues to contribute to the underprivileged and non-profit organisations such as Residence @ St. George's, Mountbatten Vocational School, and our adopted charity – Singapore Association for the Deaf. The Group contributes using its employees' assets, for instance, the knowledge of certain subjects or technical skills, as well as manpower to raise funds at the annual Children's Charity Association Christmas Fair & Walkathon. The Group will continue to encourage its employees to volunteer and participate.

CORPORATE GOVERNANCE

INTRODUCTION

The Board of Directors (the "Board") is committed to ensuring 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 the practices based on the principles and guidelines as set out in the revised Code of Corporate Governance 2012 (the "2012 Code").

To heighten awareness on conflicts of interest that may arises between directors and the Company, the Board has put in place, on its own accord, its own guidelines, which have been incorporated into the Company's corporate governance statement. These guidelines are explicit and further elaborate the intentions and spirit of the 2012 Code. (Please refer to the section on "**Guidelines relating to conflict of interest between directors and the Company**" in this report).

This report describes the Group's corporate governance practices and structures that were in place during the financial year ended 31 December 2016 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 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 businesses and its performance. To fulfil this role, the Board is responsible for the following:

- Providing entrepreneurial leadership, setting strategic aims, and ensuring the necessary financial and human resources are in place for the Group to meet its objectives;
- Establishing 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;
- Reviewing Management's performance;
- Identify the key stakeholder groups and recognise that their perceptions affect the Group's reputation;
- Setting the Group's values and standards (including ethical standards), and ensuring that obligations to shareholders and others are understood and met;
- Consider sustainability issues, e.g. economic, social and governance factors, as part of its strategic formulation;
- Overseeing 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 discharges 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 optional meetings convened as scheduled only when there are matters requiring the Board's decision at the scheduled time. Ad hoc meetings are called when there are pressing matters requiring the Board's consideration and decision in between the scheduled meetings.

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	2	2#
Quek Kian Hui*	M	4	3	NA	4	3#	NA	1	1#	NA	2	2#
Lin Yan[1]	M	1	1	NA	1	1#	NA	1	1#	NA	1	1#
Non-Executive Directors												
David Tan Chao Hsiung	M	4	4	C	4	4	M	1	1	M	2	2
Peter Sim Swee Yam	M	4	4	M	4	4	M	1	1	C	2	2
Lau Teik Soon	M	4	4	M	4	4	C	1	1	M	2	2

C: Chairman; M: Member

By invitation

* Quek Kian Hui is the son of Cheng Woei Fen

1 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 judgment 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% shareholder" 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.

Subsequent to 15 March 2016 (cessation of Lin Yan as an executive director), the Board comprises five 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 Audit, Nominating and Remuneration committees are chaired by the non-executive and independent directors and the Committees comprise wholly of the non-executive and independent directors.

The list of directors is as follows:

Name	Appointment	Date of first appointment on Board	Date of last re-election as Director
Cheng Woei Fen*	Executive Chairlady	31 October 1981	20 April 2016
Quek Kian Hui*	Executive Director	16 June 2014	22 April 2015
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	20 April 2016
Lau Teik Soon	Non-Executive and Independent Director	9 April 2013	20 April 2016

* Quek Kian Hui is the son of Cheng Woei Fen.

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 operations. The Nominating Committee reviews the independence 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 the majority of the Board. Board's decisions are undertaken on a unanimous basis and no individual or group is able to dominate the Board's decision-making process. There is also an appropriate balance and diversity of skills and experience in the Board because of the presence of non-executive and independent directors of the calibre necessary to carry sufficient weight in Board's decisions. Although all the directors have an equal responsibility for the Group's operations, the role of these non-executive and independent directors is particularly important in ensuring that the strategies proposed by Management are constructively challenged, fully discussed and examined, and take account of the long term interests, not only of the shareholders, but also of employees, customers (or business associates), suppliers and the many communities in which the Group conducts its 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.

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 bases why such a director should be considered independent, before recommending to the Board on re-appointment of such a director. 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 roles of the Chairman and Chief Executive Officer ("CEO") are separate to ensure an appropriate balance of power, increased 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 is responsible for the operation, business direction, strategic positioning and business expansion of the Group. Currently the function of the CEO has been shared between the two executive directors, Cheng Woei Fen 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 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 at the relevant time during the Board meeting.

During the Board meeting, the Chairlady will ensure that adequate time is available for discussion of all agenda items, in particular 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 encouraging 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, 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 Chao Hsiung is available to shareholders, when they have concerns, in which contact 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, remunerations of key executives and renewal of service contracts (relating to Cheng Woei Fen).

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.

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. Making recommendations to the Board on all board appointments and appointment of key management personnel. During the nomination and selection process for new directors, the Nominating Committee identifies the key attributes that an incoming director should have, based on a matrix of the attributes of the existing Board and the requirements of the Group; including the consideration for gender as well as the diversity in their nationalities. After endorsement by the Board of the key attributes, the Nominating Committee taps on the resources of directors' personal contacts and recommendations of potential candidates, and goes through a short-listing process. If 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. Making 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 Constitution of the Company. In its deliberations on the re-nomination of existing directors; the Nominating Committee takes into consideration the directors' contributions and performance (including, if applicable, his contribution and performance as a non-executive and independent director). The assessment parameters include 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 or 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. Reviewing the criterion in performance evaluation of the Board, the Board's Committee, directors and reviewing the professional development requirements for directors; and
4. Determining 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.

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, each 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 fulfil their roles. The cost of professional development programs will be borne by the Company.

The Nominating Committee is satisfied that sufficient time and attention are being given by the directors to the affairs of the Group, notwithstanding that some of the directors have other board representations or other principal commitments. There is presently no need to implement internal guidelines 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 other board representations in listed companies to six including that of 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.

CORPORATE GOVERNANCE

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 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 utilizes a confidential questionnaire, covering areas such as Board composition, Board processes managing the Group's performance and the effectiveness of the Board in its monitoring role. The questionnaire is completed by members 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, whereby the assessment parameters for such individual evaluation are consolidated in the questionnaire together with the assessment of the effectiveness of the Board. New members may be appointed or resignation of directors may be sought following the review of the aforesaid assessment.

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, Quek Kian Hui and David Tan Chao Hsiung 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, Mr David Tan Chao Hsiung will remain as the Lead Independent Director, Chairman of the Audit Committee, and also as a member of the Remuneration Committee and the Nominating Committee while Mr Quek Kian Hui will remain as an Executive Director.

Access to Information

Principle 6: In order to fulfil 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, amongst 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 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 qualified staff member of a corporate secretarial firm are the Company Secretaries. At least one of the Company Secretaries 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 Audit Committee, Remuneration Committee and Nominating Committee. Under the direction of the Chairlady/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:

- Reviewing and recommending 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
- Recommending the specific remuneration packages for each director and senior management.

In framing the Group's remuneration policy as described above, the Remuneration Committee may from time to time 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 renewal to the employment terms and conditions (including remuneration) of key executives and also the renewal of the service agreement for Cheng Woei Fen, the Executive Chairlady. The Remuneration Committee is satisfied that the terms and conditions (including remuneration) for the key executives 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. With respect to the service agreement for Cheng Woei Fen (Executive Chairlady), the Remuneration Committee has recommended a renewal for a further 3 years.

To further align the interest of key executives with shareholders, the Remuneration Committee has recommended to the Board to embark on implementing a performance share plan.

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's and individual's performance.

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

The remuneration package of key executives comprises 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's 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.

A substantial portion of the Group's key customers (or business associates) are from the oil and gas industry that operates processing plants and facilities. This industry is highly sensitive to the prices of crude oil, which has been (although stable in recent months) at its lowest point. This has put strong challenges to the management of the Group to maintain profitability.

The Board has recognised these challenges that the Group faces and have adopted the following stance:

- Maintaining a minimum increase in the salaries of key executives – this is to maintain overall competitiveness of the Group;
- No increment in the salary for the Chairlady in the recent renewal of her service agreement with a decrease in benefits on her own accord. Similar to her previous service agreement, the variable portion of her remuneration is correlated to the financial performance of the Group; and
- The non-executive and independent directors have on their own accord offered a reduction in the proposed directors' fee for financial year 2017.

The Board believes that in order to lead, they must first set an example.

The Board will be recommending to shareholders the implementation of a performance share plan for key executives at the forthcoming shareholders' meeting. If adopted, the interest of key executives will be further aligned with that of shareholders.

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 to customer's time schedule, achieving targeted profit margins and achieving safety standards set by customers.

The service agreement of Cheng Woei Fen was renewed for a further 3 years. Similar to her previous service agreement, and consistent with service contracts entered into between the Company and its executive directors, a substantial portion of her remuneration (in dollar terms) is 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.

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	**Base/fixed salary**	**Director's fees**	**Variable or performance-related income/bonuses**	**Benefits in kind**	**Total**
	$'000	**%**	**%**	**%**	**%**	**%**
Directors						
Cheng Woei Fen	261	86.4	–	1.4	12.2	100.0
Quek Kian Hui	162	90.4	–	2.2	7.4	100.0
David Tan Chao Hsiung	45	–	100.0	–	–	100.0
Peter Sim Swee Yam	41	–	100.0	–	–	100.0
Lau Teik Soon	41	–	100.0	–	–	100.0
Top 5 management personnel						
Below $250,000						
Seah Hai Yang		95.8	–	1.3	2.9	100.0
Lim Fung Suan		83.7	–	–	16.3	100.0
Chong Siew Lian		94.3	–	2.0	3.7	100.0
Above $250,000 and below $500,000						
Lin Yan		64.4	–	23.7	11.9	100.0
Wei Qian		52.5	–	43.1	4.4	100.0

The total remuneration for the above key management personnel is $1,066,000.

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 $95,000 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 the 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 aims 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 to the Government policies and and SGX-ST's continued listing guidelines and requirements. They are governed by the executive committee of the Group to ensuring the adequacy of risk management. The Audit Committee acts as an extra gate keeper to ensure governance of risk management.

During the financial year, the internal auditor of the Group was engaged to perform an Enterprise Risk Management (the "ERM") study. Potential risks were identified and were assessed for its impact on the Group. Assessment was made to ensure that adequate internal controls measures are in place to monitor and manage such risks. The Group recognises that such risk cannot be eliminated; rather it can only be mitigated.

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, whom 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 Executive 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 (or business associates). 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 (or business associates) 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 or malicious cyber attacks. 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 (or business associates) 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 (or business associates) of the Group. The Group tries to reduce the market concentration risk by maintaining its long-term relationships with these customers (or business associates). The Group also tries to reduce its market concentration risk by diversifying its source of revenue.

Over the past few years, the Group has undertaken a number of initiatives to diversify its revenue base. These include the acquisition of the business involving the overhauling and maintenance of rotating equipment, obtaining agency agreements for distributorship of several types of mechanical and electrical components, establishment of in house scaffolding capabilities and providing specialised coating services.

The Group will continue to seek business opportunities so as to widen 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 resource risk

The Group is a service provider and is dependent on its human resource to achieve profitability and retain customers (or business associates). The Group faces risk of not being able to retain its pool of human resource. 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 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 also 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 markets transactions. He has in the past, served in a number of SGX-ST listed companies (both the Catalist and the 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 functions;
- 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 balance the maintenance 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 various business units to present the financial and operating performance of their units, explaining variances from budgets and understand the challenges that 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, the system of internal control, and the significant comments and recommendations by the external auditors.

During the various meetings that the Audit Committee have 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 affects the Group's financial reporting.

Auditors' independence

The Audit Committee is satisfied with the independence and objectivity of the external auditors and recommends to 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/payable 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$134,000	S$6,100

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, 715 and Rule 716 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 undertakes to investigate complaints of suspected fraud in an objective manner and has put in place, with the Audit Committee's endorsement, arrangements by which 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.

During the financial year under review, there were no reported cases under the whistle blowing programme.

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 was no material contracts entered into 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 a sound risk management and internal controls practices to good corporate governance and has outsourced its internal audit function. The Audit Committee will review its adequacy and effectiveness each 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 controls 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
- Compliance with applicable internal policies, laws and regulations relating to the financial reporting process.

The Audit Committee has reviewed the report (ERM review and framework) presented by the Internal Auditors as well as discussed with the Management of the Group and the external auditors, and is satisfied on 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 unauthorized use or disposition; and transactions are properly authorised and that they are recorded as necessary 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 Auditors and work performed by the external auditors, and reviews performed by Management, various Board Committees and the Board, the Audit Committee and the Board are of the opinion that the Group's internal controls are adequate and effective to address the financial, operational, information technology controls and compliance risks and the risk management systems.

The Board acknowledges that it is responsible for the overall internal control framework, but recognizes 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 Notice of the AGM is also advertised in the local press. 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 AGMs, 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 acts as a liaison point for such entities and parties. Shareholders can make use of telephone or email directly to the Group's investor relations team. 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 made publicly available on a timely and non-selective basis. Information relating to the Group which are deemed price sensitive or affecting shareholders' or investors' decisions 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 subject to the financial performance of the Group and availability of excess funds (after taking into consideration business expansion plans, capital expenditure and working capital requirements for the forthcoming year). While there is no definitive policy, the Board will endeavour to have a dividend rate that reflects closely with the Group's performance.

For the financial year ended 31 December 2016, the Board has proposed, subject to shareholders' approval at the AGM, a first and final dividend of 0.15 cents per share tax-exempt (one-tier) (unchanged for FY2015). There is no special dividend proposed in respect of the financial year ended 31 December 2016.

The dividend proposed for FY2016 is expected to be about S$875,000 (based on the number of shares outstanding and assuming that all the outstanding warrants are exercised prior to Books Closure Date) as compared to S$2.0 million paid in respect of FY2015. The lower dividend payout for FY2016 is due to the lower profit that the Group achieved.

For FY2016, the proposed dividend payout (subject to approval) represents about one-third 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 in absentia through the appointment of one or more proxies. The Company's Constitution do not allow for other absentia voting methods such as by mail, electronic mail, fax and/or 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 will be set out as distinct issues for approval by the shareholders 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 Audit, Nominating and Remuneration 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 prepares 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 their request.

Resolutions tabled for approval at the general meeting will be decided by poll in compliance with the Listing Rules for all companies listed on the SGX-ST (both the Catalist and the main board) and the outcome of the poll will be disclosed over the SGX website.

At the forthcoming annual general meeting, all resolutions tabled for shareholders' approval in the notice of AGM will 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.

Guidelines relating to conflict of interest between directors and the Company

Directors have a duty to act in the best interest of the Company and should ensure that his duty is not impaired in any way. As such, directors should refrain from placing themselves in a situation where these interest, whether professional or personal, would likely to be directly or indirectly in conflict with the interests of the Company.

In order to protect the reputation of both the director and the Company, directors should as far as possible also avoid situations which might reasonably appear to be conflicts of interest and could result in an appearance of impropriety.

A conflict of interest exists where a director's personal or business interest interferes, or even appears to interfere, in any way with the interests of the Company. Directors have a duty to be free from the influence of any conflicting interest when they participate in board or board committee deliberations or voting.

Directors owe a duty to the Company to advance the Company's legitimate interests when the opportunity to do so arises. Directors are prohibited from (i) taking themselves (or directing to family members, companies to which they are affiliated or to any third parties) personal business opportunities that arise through the use of the Company's property, information or their position as director; (ii) using Company's property, information or their position as a director for personal gain; (iii) competing with the Company for business opportunities; (iv) using the Company's property, information or their position as a director for improper purposes; or (v) causing detriment to the Company.

In any situation that involves a conflict of interest with Company, directors must:

(a) Promptly disclose such interest at a meeting of the directors or by sending a written notice to the Company Secretary containing details of the interest and the nature of the conflict. Duty to disclose to the Board is non-delegable and the responsibility falls on the director alone; and

(b) Recuse themselves from participating in any discussion and decision on the matter.

If in doubt as to whether a particular interest might conflict with the interests of the Company, directors should err on the side of caution and disclose the potential conflict to the Board as long as there is even the slightest possibility of a potential conflict.

Loans from the Company to directors or persons and companies associated with directors are prohibited, except in the limited circumstances permitted under the Companies Act (Cap 50).

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 utilized the net proceeds to purchase materials for operations. The utilization 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, 154,111,100 warrants had been exercised. The proceeds of S$1,541,000 has been applied in the following manner;

Description	**Amount (S$'000)**
Proceeds from warrants conversion	1,541
Purchase of vehicles	(407)
Purchase of equipment	(618)
Purchase of materials and services for operations	(443)
Balance	73

(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 unutilized balance brought forward from the previous financial year is S$2,589,000 and the Company has utilised the balance as follow:

Purpose / Amount (S$'000)	**Raised at IPO**	**Balance b/f**	**Utilised in FY2016**	**Balance c/f**
To establish a regional presence	4,000	2,210	(19)	2,191
To establish an engineering design centre and upgrade of existing database management system	1,000	379	(53)	326
Widening the range of services available to our customers	12,500	–	–	–
Working capital	1,400	–	–	–
Total	**18,900**	**2,589**	**(72)**	**2,517**

Note: the Company has on 20 November 2012 announced on the SGXNET that it will defer its plans to further expand its range of services in light of the 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 2016.

In our opinion:

(a) the financial statements set out on pages 37 to 83 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 2016 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

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**	**Holdings at end of the year**	**Holdings at beginning of the year**	**Holdings at end of the year**
The Company				
Ordinary shares				
Cheng Woei Fen	278,997,600	278,997,600	35,052,000	35,427,400
Peter Sim Swee Yam	140,000	140,000	–	–
Quek Kian Hui	86,376,800	86,376,800	–	–

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 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 2017.

DIRECTORS' STATEMENT

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, 6,121,000 (2015: 141,835,900) warrants were exercised and converted into 6,121,000 (2015: 141,835,900) 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 has 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.

Areas of review by the Audit Committee include:

- 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).

DIRECTORS' STATEMENT

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

20 March 2017

INDEPENDENT AUDITORS' REPORT

Members of the Company
Mun Siong Engineering Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Mun Siong Engineering Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 37 to 83.

In our opinion, the accompanying 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 Singapore Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Risk in revenue recognition and assessment of risk of foreseeable losses on construction contracts (contract revenue of $59.6 million)
(Refer to Note 20 to the financial statements)

The key audit matter	*How the matter was addressed in our audit*
The recognition of revenue in relation to contracts requires judgment to be exercised in determining the stage of completion, the estimated total contract revenue and contract cost to completion, as well as the recoverability of the contract cost incurred. As certain contracts are long term in nature and may span over the financial year, changes in conditions and circumstances over time can result in variations to the original contract terms, including cost overruns which require further negotiation and settlements resulting in the need for provisions. Management performs monthly review of projects. This is done through comparison of actual costs against budgeted costs and recomputing stage of completion, so as to ascertain proper recognition of revenue and costs and to evaluate each project's profitability. Revisions in budget, if any, is approved by executive directors or project directors, based on approval limits set.	We assessed whether the revenue recognition policies adopted complied with FRS. We tested the controls designed and applied by the Group in relation to revenue and costs on construction contracts. We reviewed the project costing and discussed with the respective project managers and/or management on (i) the overall reasonableness of the estimated total costs for projects and ascertained adequacy of cost accruals at year end; (ii) the recovery of variation orders submitted but not yet approved as at year end, if any; (iii) the progress of the projects versus agreed timetable/milestones of the projects. We performed re-computation of management's computation of the stage of completion to ascertain proper recognition of revenue and costs. We compared the latest estimated total costs against the contract sum agreed with customers to identify any foreseeable losses. *Our findings* Our testing did not find indication of significant management bias nor deviation which would have required us to increase or amend the nature of scope of our planned detailed test work. We found that the assumptions, resulting estimates applied and the disclosures to be balanced.

INDEPENDENT AUDITORS' REPORT

Impairment of non-financial assets (property, plant and equipment of $17.1 million, intangible asset of $0.9 million and goodwill of $1.0 million)
(Refer to Notes 4, 5 and 6 to the financial statements)

The key audit matter	*How the matter was addressed in our audit*
The net asset position of the Group of $58.4 million was higher than the market capitalisation of $43.9 million as at 31 December 2016, indicating that non-financial assets could be overstated. The recovery of these assets depends on a combination of factors in achieving sufficient future profits and cashflows. The recovery amounts for each of the cash generating units have been calculated based on value-in-use, in which management exercised their judgment in making key assumptions such as future cash flows and discount rates. Due to the level of judgment involved in these assumptions, this is one of the key areas that our audit concentrated on. Future cash flows are projected by experienced project directors based on existing and future projects and maintenance contracts, past performance and expectation of market developments, and are approved by executive directors.	We reviewed the identification of cash generating units by management against the requirements of financial reporting standards, taking into account any business changes during the year. We challenged the appropriateness of key assumptions underlying the discounted cash flows (including management's expectation of market developments, future cash flows based on projects and maintenance contracts, and discount rate) by comparing these assumptions against the historical trends of the Group and industry. We performed retrospective review to assess for significant management bias by comparing prior year's budget to actual outcomes. We evaluated the sensitivity of the outcomes by considering downside scenarios against reasonably plausible changes to the key assumptions. We rationalised the difference between market capitalisation and the net asset value, having regard to analyst valuations and commentaries, liquidity of shares, and comparable information from key competitors. We considered the appropriateness of the related disclosures in Notes 4, 5 and 6 to the financial statements. Our findings We found that the assumptions, resulting estimates applied and the disclosures to be balanced.

Reliance on key major customers and credit risk on trade receivables ($20.1 million) (Refer to Notes 12 and 27 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
The Group's operations are highly dependent on a few key customers. The risk on recoverability of receivables include disputed or cancelled projects, concentration of credit with those key customers or financial difficulties faced by customers. Management reviews debtors collections on a monthly basis and provision is made for all trade receivables aged over one year. Specific provision is also made when management assesses a specific risk of collectability to exist, such as customers who have gone into receivership or no longer have a trading relationship with the Group.	We reviewed the recoverability of significant and/or long outstanding balance, with reference to past collection patterns and checking for subsequent collections after the year end. We discussed with management on the background or reasons of overdue debts and debts in dispute, if any. We assessed whether the financial statements disclosures appropriately reflect the Group's exposure to credit risk, in particular, significant credit risk concentration arising from key customers. *Our findings* Our testing did not note any significant recoverability issue on trade receivables. We found that the resulting estimates applied and the disclosures to be balanced.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditors' report is Tan Yek Lee Doreen.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
20 March 2017

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2016

		Group		Company	
	Note	2016	2015	2016	2015
		$'000	$'000	$'000	$'000
Assets					
Property, plant and equipment	4	17,102	16,789	17,088	14,795
Intangible asset	5	891	1,040	891	1,040
Goodwill on consolidation	6	1,001	1,001	–	–
Investment properties	7	1,310	1,310	1,310	1,310
Subsidiaries	8	–	–	4,741	4,436
Non-current assets		20,304	20,140	24,030	21,581
Inventories	10	259	146	259	146
Contract work-in-progress	11	12,407	8,601	11,603	7,312
Trade and other receivables	12	22,369	21,254	20,731	20,002
Cash and cash equivalents	13	18,211	24,804	5,725	11,140
Current assets		53,246	54,805	38,318	38,600
Total assets		73,550	74,945	62,348	60,181
Equity					
Share capital	14	26,130	26,066	26,130	26,066
Capital reserve	15	6	9	6	9
Translation reserve	16	9	6	–	–
Retained earnings		32,205	31,565	18,701	17,895
Total equity		58,350	57,646	44,837	43,970
Liabilities					
Provision for restoration costs	18	320	304	320	304
Deferred tax liabilities	9	1,286	1,408	1,281	1,281
Non-current liabilities		1,606	1,712	1,601	1,585
Trade and other payables	19	13,289	13,165	15,644	12,305
Excess of progress billings over contract work-in-progress	11	266	1,380	266	1,377
Loans and borrowings	17	–	698	–	698
Current tax payable		39	344	–	246
Current liabilities		13,594	15,587	15,910	14,626
Total liabilities		15,200	17,299	17,511	16,211
Total equity and liabilities		73,550	74,945	62,348	60,181

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	Note	2016 $'000	2015 $'000
Revenue	20	94,341	76,185
Cost of sales		(87,644)	(67,191)
Gross profit		6,697	8,994
Other income	21	1,506	1,603
Administrative expenses		(5,983)	(6,026)
Other operating expenses		(7)	(28)
Results from operating activities		2,213	4,543
Finance income	22	255	190
Finance costs	22	(49)	(222)
Profit before tax	23	2,419	4,511
Tax credit	24	202	71
Profit for the year		2,621	4,582
Other comprehensive income			
Item that is or may be reclassified subsequently to profit or loss:			
Foreign currency translation difference from foreign operation		3	12
Total comprehensive income for the year		2,624	4,594
Earnings per share			
Basic earnings per share (cents)	25	0.46	0.86
Diluted earnings per share (cents)	25	0.45	0.83

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

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	14	–	–	–	(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

Group	Note	Share capital $'000	Capital reserve $'000	Translation reserve $'000	Retained earnings $'000	Total $'000
At 1 January 2016		26,066	9	6	31,565	57,646
Total comprehensive income for the year						
Profit for the year		–	–	–	2,621	2,621
Other comprehensive income						
Foreign currency translation difference from foreign operation		–	–	3	–	3
Total comprehensive income for the year		–	–	3	2,621	2,624
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Shares issued for exercise of warrants		64	(3)		–	61
Dividends	14	–	–	–	(1,981)	(1,981)
Total transactions with owners		64	(3)	–	(1,981)	(1,920)
At 31 December 2016		26,130	6	9	32,205	58,350

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Profit before tax		2,419	4,511
Adjustments for:			
Depreciation of property, plant and equipment		3,659	3,567
Amortisation of intangible asset		149	149
Interest expense		33	38
Property, plant and equipment written-off		–	21
Net gain on disposal of property, plant and equipment		(122)	(71)
Provision for foreseeable losses		–	553
Unwinding of discount on site restoration provision		16	184
Interest income		(255)	(190)
		5,899	8,762
Changes in inventories		(113)	104
Changes in contract work-in-progress and excess of progress billings over contract work-in-progress		(4,920)	2,910
Changes in trade and other receivables		(1,115)	627
Changes in trade and other payables		124	1,505
Cash (used in)/generated from operating activities		(125)	13,908
Tax paid		(354)	(191)
Tax received		129	328
Net cash (used in)/from operating activities		(350)	14,045
Cash flows from investing activities			
Interest received		255	190
Acquisition of property, plant and equipment		(3,980)	(3,111)
Proceeds from disposal of asset classified as held for sale		–	180
Proceeds from disposal of property, plant and equipment		130	143
Net cash used in investing activities		(3,595)	(2,598)
Cash flows from financing activities			
Repayment of loans and borrowings		(698)	(793)
Dividends paid		(1,981)	(2,780)
Proceeds from exercise of warrants		61	1,418
Interest paid		(33)	(38)
Net cash used in financing activities		(2,651)	(2,193)
Net (decrease)/increase in cash and cash equivalents		(6,596)	9,254
Cash and cash equivalents at 1 January		24,804	15,538
Effect of exchange rate fluctuations on cash held		3	12
Cash and cash equivalents at 31 December	13	18,211	24,804

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 20 March 2017.

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 2016 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, provision of specialised services and investment holding. 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 – Impairment of property, plant and equipment
- Note 6 – Impairment of goodwill on consolidation
- Note 7 – Valuation of investment properties
- Note 27 – Impairment of doubtful receivables

2 Basis of preparation (continued)

2.4 Use of estimates and judgements (continued)

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 20 – Revenue recognition and assessment of risk of foreseeable losses on construction 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 observable market 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 28 – Determination of fair values

2.5 Changes in accounting policies

On 1 January 2016, the Group adopted new and amended FRS and interpretation to FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

3 Significant accounting policies

The accounting policies set out below have been applied consistently 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, other contingent consideration is remeasured at fair value at each reporting date and 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 date of acquisition. 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.

3 Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

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.

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 translated 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 4 years (2015: 5 years)
Machinery, tools and equipment	5 to 15 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 3.14) 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, trade and other receivables and contract work-in-progress due from customers.

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, cancelled or expired.

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 initially measured 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 CGUs. 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 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.

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 Significant accounting policies (continued)

3.13 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.

3.14 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.

3.15 Government grants

Government grants received are recognised as income upon receipt.

3 Significant accounting policies (continued)

3.16 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.

3.17 Finance costs

Finance costs comprise interest expenses on borrowings and unwinding of the discount on provisions. Borrowing costs are recognised in profit or loss using the effective interest method.

3.18 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is 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. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

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)

3.18 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.

3.19 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.

3.20 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, other than goodwill.

3.21 New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these statements.

For those new standards and amendments to standards that are expected to have an effect on the financial statements of the Group and the Company in future financial periods, management has assessed the transition options and are gathering the detailed analysis and potential impact on its financial statements. Management provides updates to the Board of Directors on the progress of implementing these standards. The Group does not plan to adopt these standards early.

Applicable to 2017 financial statements

Amendments to FRS 12 *Income Tax* – Recognition of deferred tax assets for unrealised losses

Amendments to FRS 7 *Statement of Cash Flows* – Disclosure initiative

Management anticipates that the adoption of the above amendments to FRS in the future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

3 Significant accounting policies (continued)

3.21 New standards and interpretations not yet adopted (continued)

Applicable to 2018 financial statements

New standards Summary of the requirements	**Potential impact on the financial statements**
FRS 115 ***Revenue from Contracts with Customers***	
FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain 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*. FRS 115 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. FRS 115 offers a range of transition options including full retrospective adoption where an entity can choose to apply the standard to its historical transactions and retrospectively adjust each comparative period presented in its 2018 financial statements. When applying the full retrospective method, an entity may also elect to use a series of practical expedients to ease transition.	During 2016, the Group completed its initial assessment of the impact on the Group's financial statements. Based on its initial assessment, the Group expects the following key changes: **Identification of performance obligations** – The Group currently recognises revenue for each long-term contract at its contract level. Under FRS 115, the Group is required to identify performance obligations within each contract and account for each performance obligation separately if they are distinct; or continue to be accounted for the contract as one performance obligation if it can be demonstrated that the Group provides a significant integrated service, or the goods or services significantly modify or customise another goods or services promised in the contract, or the goods and services within the contract are highly dependent on or integrated with other goods or services. The Group has evaluated the criteria required for the contracts with multiple performance obligations and will put in place process to monitor, assess and track the recognition of revenue for each performance obligation. **Variable consideration** – The Group's contracts may include variable considerations such as discounts, incentives, performance bonuses, penalties, including liquidated damages for delays, or other similar terms. Under FRS 115, the Group is required to estimate the amount of consideration to which it expects to be entitled and variable amounts are included in contract revenue to the extent that it is highly probable that there will be no significant reversal when the uncertainty is resolved.

3 Significant accounting policies (continued)

3.21 New standards and interpretations not yet adopted (continued)

Applicable to 2018 financial statements (continued)

New standards

Summary of the requirements	**Potential impact on the financial statements**
	Timing of recognition – The Group currently recognises revenue from long term contracts by reference to the stage of completion. Under FRS 115, revenue is recognised over time if one or more of the criteria are met: (1) The customer simultaneously receives and consumes the benefits provided by the contractor's performance as the contractor performs; (2) the contractor's performance creates or enhances an asset that the customer controls as the asset is created or enhances and/or (3) the contractor's performance does not create an asset with an alternative use to the contractor and the contractor has an enforceable right to payment for the performance completed to date. Based on preliminary assessment, the Group expects to be able to progressively recognise revenue from long term contracts. **Transition** – The Group plans to adopt the standard when it becomes effective in 2018 using the full retrospective approach. The Group is currently performing a detailed analysis under FRS 115 to determine its election of the practical expedients and to quantify the transition adjustments on its financial statements.

3 Significant accounting policies (continued)

3.21 New standards and interpretations not yet adopted (continued)

Applicable to 2018 financial statements (continued)

New standards Summary of the requirements	**Potential impact on the financial statements**
FRS 109 *Financial Instruments*	
FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39. FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 January 2018.	During 2016, the Group completed its initial assessment of the impact on the Group's financial statements. Overall, the Group does not expect a significant impact on its opening equity except for the effect of applying the impairment requirements of FRS 109. The Group's initial assessment of the three elements of FRS 109 is as described below. **Classification and measurement** – The Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109. Loans and receivables that are currently accounted for at amortised cost will continue to be accounted for using amortised cost model under FRS 109. **Impairment** – The Group plans to apply the simplified approach and record lifetime expected impairment losses on all trade receivables and any contract assets arising from the application of FRS 115. The Group is currently refining its impairment loss estimation methodology to quantify the impact on its financial statements. **Transition** – The Group plans to adopt the standard when it becomes effective in 2018 without restating comparative information; and is gathering data to quantify the potential impact arising from the adoption.

Convergence with International Financial Reporting Standards (IFRS)

In addition, the Accounting Standards Council (ASC) announced on 29 May 2014, that Singapore-incorporated companies listed on the Singapore Exchange (SGX) will apply a new financial reporting framework identical to the International Financial Reporting Standards (referred to as SG-IFRS in these financial statements) for the financial year ending 31 December 2018, onwards.

3 Significant accounting policies (continued)

3.21 New standards and interpretations not yet adopted (continued)

Applicable to 2018 financial statements (continued)

Convergence with International Financial Reporting Standards (IFRS) (continued)

The Group has performed a preliminary assessment of the impact of SG-IFRS 1 *First-time adoption of International Financial Reporting Standards* for the transition to the new reporting framework. Based on the Group's preliminary assessment, the Group expects that the impact on adoption of SG-IFRS 15 *Revenue from Contracts with Customers* and SG-IFRS 9 *Financial Instruments* will be similar to adopting FRS 115 and FRS 109 as described in this Note.

Other than arising from the adoption of new and revised standards, the Group does not expect to change its existing accounting policies on adoption of the new framework.

The Group is currently performing a detailed analysis of the available policy choices, transitional optional exemptions and transitional mandatory exceptions under SG-IFRS 1 and the preliminary assessment may be subject to changes arising from the detailed analyses.

Applicable to 2019 financial statements

New standards Summary of the requirements	**Potential impact on the financial statements**
FRS 116 *Leases*	
FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor. When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*, and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. FRS 116 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if FRS 115 is also applied.	The Group has performed a preliminary high-level assessment of the new standard on its existing operating lease arrangements as a lessee (refer to Note 30). Based on the preliminary assessment, the Group expects these operating leases to be recognised as ROU assets with corresponding lease liabilities under the new standard. The operating lease commitments on an undiscounted basis amount to approximately 2% of the consolidated total assets and 12% of consolidated total liabilities. Assuming no additional new operating leases in future years until the effective date, the Group expects the amount of ROU asset and lease liability to be lower due to discounting and as the lease terms run down. The Group plans to adopt the standard when it becomes effective in 2019. The Group will perform a detailed analysis of the standard, including the transition options and practical expedients in 2017. The Group expects that the impact on adoption of IFRS 16 *Leases* to be similar to adopting SG-FRS 116, after the transition to SG-IFRS in 2018 as described above.

4 Property, plant and equipment

	Leasehold property $'000	Machinery, tools and equipment $'000	Furniture and office equipment $'000	Motor vehicles $'000	Other assets $'000	Total $'000
Group						
Cost						
At 1 January 2015	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
Additions	–	2,905	23	1,052	–	3,980
Disposals/Write-offs	–	(211)	–	(180)	–	(391)
At 31 December 2016	7,689	27,311	2,557	7,294	549	45,400
Accumulated depreciation						
At 1 January 2015	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
Depreciation	696	2,097	300	544	22	3,659
Disposals/Write-offs	–	(204)	–	(179)	–	(383)
At 31 December 2016	5,184	15,667	1,460	5,485	502	28,298
Carrying amounts						
At 1 January 2015	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
At 31 December 2016	2,505	11,644	1,097	1,809	47	17,102
Company						
Cost						
At 1 January 2015	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
Additions	–	4,296	24	1,375	–	5,695
Disposals/Write-offs	–	(211)	–	(135)	–	(346)
At 31 December 2016	7,824	26,838	2,868	6,433	520	44,483
Accumulated depreciation						
At 1 January 2015	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
Depreciation	696	1,989	296	390	22	3,393
Disposals/Write-offs	–	(204)	–	(133)	–	(337)
At 31 December 2016	5,172	15,212	1,787	4,762	462	27,395
Carrying amounts						
At 1 January 2015	3,916	9,669	1,241	863	102	15,791
At 31 December 2015	3,348	9,326	1,353	688	80	14,795
At 31 December 2016	2,652	11,626	1,081	1,671	58	17,088

4 Property, plant and equipment (continued)

Impairment of property, plant and equipment

The Group 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 2016, the net carrying amount of leased motor vehicles and machinery, tools and equipment secured under these facilities was $Nil (2015: $2,427,000).

5. Intangible asset

Group and Company	**Licensing rights $'000**
Cost	
At 1 January 2015, 31 December 2015 and 31 December 2016	1,487
Accumulated amortisation	
At 1 January 2015	298
Amortisation	149
At 31 December 2015	447
Amortisation	149
At 31 December 2016	596
Carrying amounts	
At 1 January 2015	1,189
At 31 December 2015	1,040
At 31 December 2016	891

6. Goodwill on consolidation

	Group	
	2016	**2015**
	$'000	**$'000**
Cost		
At 1 January and 31 December	1,636	1,636
Accumulated impairment		
At 1 January and 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 amount of the Group's goodwill on consolidation of a subsidiary was assessed for impairment for the financial year ended 31 December 2016. For the purpose of impairment testing, goodwill is allocated to the electrical and instrumentation cash-generating unit.

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:

- 3-year 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 -7.2% (2015: 0.4%) with an average yearly gross profit margin at 17% (2015: 13%). 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 rate of 0% (2015: 0%).

- Pre-tax discount rate of 11.7% (2015: 11.7%) based on the Weighted Average Cost of Capital (WACC) where the cost of a company's debt and equity capital are weighted to reflect its capital structure, 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 2016 and 2015, based on the above key assumptions, the recoverable amount exceeded the carrying amount.

7. Investment properties

	Group and Company	
	2016	2015
	$'000	$'000
At 1 January and 31 December	1,310	1,310

As at 31 December 2016, 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 2016 $'000	Company 2015 $'000
Unquoted equity investments, at cost	6,836	5,936
Allowance for impairment loss	(2,095)	(1,500)
	4,741	4,436

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Effective equity held by the Company 2016 %	Effective equity held by the Company 2015 %
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)]	Investment holding company	Singapore	100	100
Mun Siong Engineering Sdn Bhd[(2)]	Provision of engineering services and contractor to the process industries in Malaysia	Malaysia	100	100
Pegasus Advance Engineering LLP[(3)]	Provision of engineering, procurement and construction services as well as contractor to the process industries in India	India	99.99	–

(1) Audited by KPMG LLP.

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

(3) Incorporated in 2016.

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 2016, which approximates the fair value less cost to sell method as the net assets comprise predominantly current monetary items (2015: fair value less cost to sell method) and an impairment loss of $595,000 (2015: $865,000) was recognised.

9. Deferred tax liabilities

Movements in temporary differences during the year are as follows:

	At 1 January 2015 $'000	Recognised in profit or loss (Note 24) $'000	At 31 December 2015 $'000	Recognised in profit or loss (Note 24) $'000	At 31 December 2016 $'000
Group					
Deferred tax assets					
Unutilised tax losses and capital allowances	(62)	–	(62)	(294)	(356)
Provisions	–	–	–	(66)	(66)
	(62)	–	(62)	(360)	(422)
Deferred tax liabilities					
Property, plant and equipment	1,570	(100)	1,470	238	1,708
	1,508	(100)	1,408	(122)	1,286
Company					
Deferred tax assets					
Unutilised tax losses and capital allowances	–	–	–	(356)	(356)
Provisions	–	–	–	(57)	(57)
	–	–	–	(413)	(413)
Deferred tax liabilities					
Property, plant and equipment	1,421	(140)	1,281	413	1,694
	1,421	(140)	1,281	–	1,281

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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Deferred tax liabilities	1,286	1,408	1,281	1,281

10. Inventories

	Group and Company	
	2016 $'000	2015 $'000
Consumables, at cost	259	146

In 2016, changes in consumables recognised as cost of sales amounted to $110,000 (2015: $321,000).

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

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Costs incurred and attributable profits	23,706	27,912	22,056	23,229
Provision for foreseeable losses	–	(553)	–	(553)
Progress billings	(11,565)	(20,138)	(10,719)	(16,741)
	12,141	7,221	11,337	5,935
Comprising:				
Due from customers on construction contracts	12,407	8,601	11,603	7,312
Excess of progress billings over contract work-in-progress	(266)	(1,380)	(266)	(1,377)
	12,141	7,221	11,337	5,935

In 2016, changes in contract work-in-progress recognised as cost of sales amounted to $53,314,000 (2015: $30,828,000).

In 2015, 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 was recognised. The provision was utilised in 2016.

12. Trade and other receivables

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Trade receivables	20,108	19,671	18,330	17,638
Amounts due from subsidiaries (non-trade)	–	–	241	872
Deposits	1,662	1,271	1,614	1,221
Other receivables	79	81	42	81
Loans and receivables	21,849	21,023	20,227	19,812
Prepayments	520	231	504	190
	22,369	21,254	20,731	20,002

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 27.

13. Cash and cash equivalents

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Cash at bank and on hand	9,406	11,973	5,725	10,140
Fixed deposits	8,805	12,831	–	1,000
Cash and cash equivalents in the consolidated statement of cash flows	18,211	24,804	5,725	11,140

Fixed deposits placed with financial institutions have maturity period within one month (2015: one to three months) from the financial year end and interest rates ranging from 0.92% to 3.00% (2015: 0.69% to 1.60%) 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 27.

14. Share capital

	Ordinary shares	
	2016	2015
	Number of shares '000	Number of shares '000
Company		
In issue at 1 January	563,672	421,836
Exercise of warrants	6,121	141,836
In issue at 31 December	569,793	563,672

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

6,121,000 (2015: 141,836,000) 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 (2015: $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	
	2016	2015
	$'000	$'000
Paid by the Company to owners of the Company		
0.35 cents per ordinary share (2015: 0.50 cents), comprising a final dividend of 0.15 cents per ordinary share (2015: 0.15 cents) and a special dividend of 0.20 cents per ordinary share (2015: 0.35 cents)	1,981	2,780

14. Share capital (continued)

Ordinary shares (continued)

Dividends (continued)

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 2016 and 2015, have not been provided for.

	Group and Company	
	2016	**2015**
	$'000	**$'000**
0.15 cents per ordinary share (2015: 0.35 cents), comprising a final dividend of 0.15 cents per ordinary share (2015: 0.15 cents) and a special dividend of Nil cents per ordinary share (2015: 0.20 cents)	855	1,973

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.

15. 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.

16. 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.

17. Loans and borrowings

	Group and Company	
	2016	2015
	$'000	$'000
Curernt liabilities		
Finance lease liabilities	–	698
Total loans and borrowings	–	698

Finance lease liabilities

Finance lease liabilities in 2015 were payable as follows:

	Future minimum lease payments	Interest	Principal
	2015	2015	2015
	$'000	$'000	$'000
Group and Company			
Within one year	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	Carrying amount
		%		$'000	$'000
Group and Company					
2015					
Fixed rate finance leases	SGD	1.2%	2016	731	698

The Group's and the Company's exposure to liquidity and interest rate risks for loans and borrowings are disclosed in Note 27.

18. Provision for restoration costs

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Balance at 1 January	304	120	304	120
Unwinding of discount	16	184	16	184
Balance at 31 December	320	304	320	304

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.

19. Trade and other payables

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Trade payables	7,024	4,773	6,806	4,651
Amounts due to subsidiaries (trade)	–	–	3,481	373
Other payables and accruals	6,265	8,392	5,357	7,281
	13,289	13,165	15,644	12,305

The Group's and the Company's exposure to liquidity and foreign currency risks related to trade other payables are disclosed in Note 27.

20. Revenue

	Group	
	2016	2015
	$'000	$'000
Contract revenue	59,580	40,432
Rendering of maintenance services	34,761	35,753
	94,341	76,185

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.

21. Other income

	Group	
	2016	2015
	$'000	$'000
Rental income	86	209
Gain on disposal of property, plant and equipment	122	71
Government grants	259	317
Others	1,039	1,006
	1,506	1,603

22. Finance income and finance costs

	Group	
	2016	2015
	$'000	$'000
Finance income		
Interest income	255	190
Finance costs		
Interest expense on loans and borrowings	(33)	(38)
Unwinding of discount on site restoration provision	(16)	(184)
	(49)	(222)

23. Profit before tax

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

	Group	
	2016	2015
	$'000	$'000
Staff costs	38,467	37,854
Contribution to defined contribution plans included in staff costs	1,422	1,379
Depreciation of property, plant and equipment	3,659	3,567
Amortisation of intangible asset	149	149
Operating lease expenses	600	676
Operating expenses arising from rental of investment properties	15	15
Audit fees paid to:		
- auditors of the Company	134	118
- other auditors	1	1
Non-audit fees paid to auditors of the Company	6	7
Property, plant and equipment written-off	–	21
Net foreign exchange loss	7	6
Provision for foreseeable losses	–	553

24. Tax expense/(credit)

	Group 2016 $'000	Group 2015 $'000
Current tax expense/(credit)		
Current year	3	287
Over-provision for prior years	(83)	(258)
	(80)	29
Deferred tax credit		
Origination and reversal of temporary differences	(119)	(100)
Over-provision for prior years	(3)	–
	(122)	(100)
Total tax credit	(202)	(71)

Reconciliation of effective tax rate

	Group 2016 $'000	Group 2015 $'000
Profit before tax	2,419	4,511
Tax using the Singapore tax rate of 17% (2015: 17%)	411	767
Non-deductible expenses	76	114
Tax incentives	(515)	(614)
Tax exempt income	(64)	(92)
Over-provision for prior years	(86)	(258)
Others	(24)	12
	(202)	(71)

25. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2016 was based on the profit attributable to ordinary shareholders and a weighted-average number of ordinary shares outstanding as follows:

Profit attributable to ordinary shareholders

	Group 2016 $'000	Group 2015 $'000
Profit for the year	2,621	4,582

Weighted-average number of ordinary shares

	Number of shares '000	Number of shares '000
Issued ordinary shares at 1 January	534,596	421,836
Effect of warrants exercised	32,335	112,760
Weighted-average number of ordinary shares during the year	566,931	534,596

25. Earnings per share (continued)

Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2016 was based on the profit attributable to ordinary shareholders and a weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares as follows:

Profit attributable to ordinary shareholders (diluted)

	Group	
	2016	**2015**
	$'000	**$'000**
Profit for the year	2,621	4,582

Weighted-average number of ordinary shares (diluted)

	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares (basic)	566,931	534,596
Effect of warrants on issue	11,833	16,260
Weighted-average number of ordinary shares (diluted) during the year	578,764	550,856

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 2016.

26. 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.

26. Operating segments (continued)

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.

The segment information provided to the Group's Executive Committee for the reportable segments for the year ended 31 December 2016 and 2015 is as follows:

Business segments

2016	Mechanical $'000	Electrical, instrumentation and others $'000	Total $'000
External revenues	84,180	10,161	94,341
Inter-segment revenue	45	2,593	2,638
Total revenue	84,225	12,754	96,979
Interest income	55	200	255
Rental income, net of expenses	–	71	71
Interest expenses	33	–	33
Depreciation of property, plant and equipment	3,277	382	3,659
Amortisation of intangible asset	149	–	149
Reportable segment profit before tax	26	2,502	2,528
Other material non-cash items:			
Reportable segment assets	53,943	18,297	72,240
Capital expenditure	3,880	100	3,980
Reportable segment liabilities	12,717	1,158	13,875
2015			
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
Rental income, net of expenses	–	118	118
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	2,663	1,790	4,453
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

26. Operating segments (continued)

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

	2016 $'000	2015 $'000
Revenues		
Total revenue for reportable segments	96,979	78,318
Elimination of inter-segment revenue	(2,638)	(2,133)
Consolidated revenue	94,341	76,185
Profit or loss		
Total profit or loss for reportable segments	2,528	4,453
Elimination of inter-segment profits	(180)	(60)
Unallocated segment profits	71	118
Consolidated profit before tax	2,419	4,511
Assets		
Total assets for reportable segments	72,240	73,635
Investment properties	1,310	1,310
Consolidated total assets	73,550	74,945
Liabilities		
Total liabilities for reportable segments	13,875	15,547
Current tax payable	39	344
Deferred tax liabilities	1,286	1,408
Consolidated total liabilities	15,200	17,299

Major customers

During the financial year ended 31 December 2016, revenue from three major customers of the Group totalled approximately $65,915,000 (2015: $54,146,000), representing 70% (2015: 71%) of the Group's total revenue. 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:

	2016 $'000	2015 $'000
Customer 1	31,345	33,413
Customer 2	22,158	11,175
Customer 3	12,412	9,558
	65,915	54,146

27. 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 and contract work-in-progress

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group's three major customers accounts for $26,873,000 (2015: $20,893,000 of the carrying value of trade receivables and contract work-in-progress as at 31 December 2016. No significant credit risk exposure is expected based on historical data of payment statistics from these customers.

The Group's main customers are from the process industry which in turn, is dominated by a small number of big multinational 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.

Credit risk concentration profile

The Group assesses 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, contract work-in-progress 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.

27. Financial risk management (continued)

Credit risk (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 (comprising trade and other receivables and contract work-in-progress due from customers) that were not impaired at the reporting date was:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Not past due	31,217	28,613	28,889	26,563
Past due 0-30 days	2,712	513	2,638	130
Past due 31-60 days	189	446	189	429
Past due more than 60 days	138	52	114	2
	34,256	29,624	31,830	27,124

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.

27. 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 2016				
Non-derivative financial liabilities				
Trade and other payables	13,289	13,289	–	–
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	–
Company				
31 December 2016				
Non-derivative financial liabilities				
Trade and other payables	15,644	15,644	–	–
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	–

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.

27. Financial risk management (continued)

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 and Company	
2016	
Trade and other receivables	7
Cash and cash equivalents	215
Trade and other payables	(107)
Net exposure	115
2015	
Trade and other receivables	729
Cash and cash equivalents	256
Trade and other payables	(239)
Net exposure	746

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 2016.

	Group and Company Profit or loss $'000
2016	
USD	(12)
2015	
USD	(75)

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.

27. Financial risk management (continued)

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	
	2016	**2015**
	$'000	**$'000**
Group		
Fixed rate instruments		
Cash and cash equivalents	8,805	12,831
Finance lease liabilities	–	(698)
	8,805	12,133
Company		
Fixed rate instruments		
Cash and cash equivalents	–	1,000
Finance lease liabilities	–	(698)
	–	302

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.

27. 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 statements 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 2016					
Trade and other receivables*	12	21,849	–	21,849	21,849
Due from customers on construction contracts	11	12,407	–	12,407	12,407
Cash and cash equivalents	13	18,211	–	18,211	18,211
		52,467	–	52,467	52,467
Trade and other payables	19	–	13,289	13,289	13,289
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	17	–	698	698	686
Trade and other payables	19	–	13,165	13,165	13,165
		–	13,863	13,863	13,851

* *Excludes prepayments.*

27. Financial risk management (continued)

Accounting classifications and fair values (continued)

Fair values versus carrying amounts (continued)

	Note	Loans and receivables $'000	Other financial liabilities within the scope of FRS 39 $'000	Total carrying amount $'000	Fair value $'000
Company					
31 December 2016					
Trade and other receivables*	12	20,227	–	20,227	20,227
Due from customers on construction contracts	11	11,603	–	11,603	11,603
Cash and cash equivalents	13	5,725	–	5,725	5,725
		37,555	–	37,555	37,555
Trade and other payables	19	–	15,644	15,644	15,644
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	17	–	698	698	686
Trade and other payables	19	–	12,305	12,305	12,305
		–	13,003	13,003	12,991

* *Excludes prepayments.*

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:

	2016 %	2015 %
Finance lease liabilities	–	1.70

28. 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

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 and Company				
2016 and 2015				
Non-financial assets measured at fair value				
Investment properties	–	1,310	–	1,310

29. 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	
	2016	**2015**
	$'000	**$'000**
Directors' fees	127	127
Directors' remunerations	691	832
	818	959

30. 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	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Within one year	514	600	494	530
Between one and five years	1,242	1,869	1,231	1,852
	1,756	2,469	1,725	2,382

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.

30. Commitments (continued)

Minimum lease receivables

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

	Group and Company	
	2016	2015
	$'000	$'000
Within one year	42	68
Between one and five years	11	16
	53	84

The Group sub-lets its factory premises, investment properties and plant and equipment under non-cancellable operating lease, which expires in 2017 and 2018 (2015: 2016 and 2017).

31. Subsequent events

Exercise of warrants

Subsequent to 31 December 2016, 1,026,000 (2015: 336,000) 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. Following the issuance of shares by the Company, the Company's share capital increased to $26,140,000 (2015: $26,069,000).

STATISTICS OF SHAREHOLDINGS

As at 10 March 2017

ISSUED AND FULLY PAID SHARE CAPITAL	:	S$26,139,000
NUMBER OF ISSUED SHARES	:	570,419,100
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	230	15.81	2,416	0.00
100 - 1,000	199	13.68	193,281	0.04
1,001 - 10,000	299	20.55	1,826,669	0.32
10,001 - 1,000,000	703	48.31	72,342,678	12.68
1,000,001 & ABOVE	24	1.65	496,054,056	86.96
TOTAL	1,455	100.00	570,419,100	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CHENG WOEI FEN	278,997,600	48.91
2	QUEK KIAN HUI (GUO JIANHUI)	86,376,800	15.14
3	QUEK KIAN TECK GABRIEL	33,516,000	5.88
4	PHILLIP SECURITIES PTE LTD	11,096,600	1.95
5	GOH HENG CHEW	10,647,000	1.87
6	OCBC SECURITIES PRIVATE LIMITED	10,567,900	1.85
7	SINGAPORE WAREHOUSE CO PTE LTD	9,400,000	1.65
8	UOB KAY HIAN PRIVATE LIMITED	8,788,400	1.54
9	LIN YAN	7,266,000	1.27
10	GLOBAL TRADE INVESTMENT MANAGEMENT PTE LTD	7,095,000	1.24
11	MAYBANK KIM ENG SECURITIES PTE. LTD.	4,155,310	0.73
12	NG HIAN CHOW	3,699,000	0.65
13	DBSN SERVICES PTE. LTD.	3,000,000	0.53
14	KANG TIANYONG, JONATHAN	3,000,000	0.53
15	KOH SER KIONG	2,450,000	0.43
16	CITIBANK NOMINEES SINGAPORE PTE LTD	2,303,000	0.40
17	KHOO SWEE JIN	2,300,000	0.40
18	QUEK KENG SIONG	1,911,400	0.34
19	TAY HWA LANG	1,870,000	0.33
20	THNG KIAN TONG	1,825,000	0.32
		490,265,010	85.96

RULE 723 COMPLIANCE

Based on the information available to the Company as at 10 March 2017, approximately 29.71% 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	48.91	35,427,400	6.21
QUEK KIAN TECK GABRIEL	33,516,000	5.88	0	0.00
QUEK KIAN HUI	86,376,800	15.14	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 10 March 2017

SIZE OF WARRANTHOLDINGS	NO. OF WARRANTHOLDERS	%	NO. OF WARRANTS	%
1 - 99	0	0.00	0	0.00
100 - 1,000	45	17.65	43,700	0.34
1,001 - 10,000	73	28.63	551,400	4.25
10,001 - 1,000,000	136	53.33	11,089,000	85.48
1,000,001 & ABOVE	1	0.39	1,288,000	9.93
TOTAL	255	100.00	12,972,100	100.00

TWENTY LARGEST WARRANTHOLDERS

NO.	NAME	WARRANTS	%
1	DBSN SERVICES PTE. LTD.	1,288,000	9.93
2	UOB KAY HIAN PRIVATE LIMITED	791,600	6.10
3	MAYBANK KIM ENG SECURITIES PTE. LTD.	686,000	5.29
4	PHILLIP SECURITIES PTE LTD	601,000	4.63
5	TAN HAI PENG MICHEAL	550,000	4.24
6	ONG HOCK SIONG @ BENNY ONG HOCK SIONG	440,000	3.39
7	GLOBAL TRADE INVESTMENT MANAGEMENT PTE LTD	300,000	2.31
8	LIM CHOON WAH (LIN CHUNHUA)	240,000	1.85
9	RAMESH S/O PRITAMDAS CHANDIRAMANI	236,000	1.82
10	LAU CHOR BOH	216,000	1.67
11	LIOW SONG HOCK OR TAN KENG YORK	211,000	1.63
12	ESTATE OF LOH KOK WENG, DECEASED	208,000	1.60
13	LAW PENG KWEE	180,000	1.39
14	TANG YONG CHOO	180,000	1.39
15	NG KIM ENG	179,000	1.38
16	LIM & TAN SECURITIES PTE LTD	175,000	1.35
17	HAY KOK KENG	172,000	1.33
18	TOK BOON SEONG	168,100	1.30
19	CHUA SIEW LIAN	160,000	1.23
20	RAFFLES NOMINEES (PTE) LIMITED	157,000	1.21
		7,138,700	55.04

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 Thursday, 20th April 2017 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 2016 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) Quek Kian Hui (Regulation 98) **[Resolution 2]**
   (ii) Tan Chao Hsiung David (Regulation 98) **[Resolution 3]**
   [See Explanatory Note 1]

3. To declare a first and final dividend of 0.15 cents per ordinary share tax-exempt (one-tier) for the financial year ended 31 December 2016. **[Resolution 4]**

4. To approve Directors' fees of up to S$122,000 for the financial year ending 31 December 2017 to be payable quarterly in arrears (2016: up to S$130,000). **[Resolution 5]**

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

6. 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 with or without amendments the following Resolutions, of which Resolution 8 will be proposed as a Special Resolution and Resolutions 7, 9 and 10 will be proposed as Ordinary Resolutions.

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

   "That, pursuant to Section 161 of the Companies Act, Cap. 50 ("Companies Act") authority be and is hereby given to the Directors of the Company to:

   (i) (a) issue shares of the Company whether by way of rights, bonus or otherwise;
   (b) 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/or
   (c) 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;

   (ii) (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; and

   (iii) complete and do all such acts and things, including without limitation, executing all such documents and approving any amendments, alterations or modifications to any documents as they may consider necessary, desirable or expedient to give effect to this Resolution.

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution by way of renounceable rights issues on a pro rata basis ("Renounceable Rights Issues") shall not exceed 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below; and otherwise than by way of Renounceable Rights Issues ("Other Share Issues") shall not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation and adjustment as may be prescribed by the Singapore Exchange Securities Trading Limited ("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) of the Company at the time this Resolution is passed, after adjusting for:

   (a) new shares arising from the conversion or exercise of any convertible securities;
   (b) (where applicable) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed, provided that the options or awards were granted in compliance with the Listing Manual of the SGX-ST; and
   (c) 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 2]

8. Proposed adoption of the New Constitution **[Resolution 8]**

"That the regulations contained in the new Constitution of the Company, reproduced in their entirety in Appendix I of the Addendum to Annual Report dated 29 March 2017 (the "Addendum"), be approved and adopted as the Constitution of the Company in substitution for, and to the exclusion of, the existing Constitution of the Company and that the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things as they may consider necessary, desirable or expedient to give effect to this Resolution."
[See Explanatory Note 3]

9. Proposed adoption of the MSE Performance Share Plan **[Resolution 9]**

"That:

(i) the performance share plan to be known as the "MSE Performance Share Plan" (the "MSE PSP") particulars of which are set out in the Addendum under which awards ("Awards") of fully paid-up shares in the capital of the Company will be granted, free of charge, to employees of the Group and its Associated Companies (as defined in the Addendum) be approved.

(ii) the Board of Directors of the Company be and is hereby authorised:–

(a) to establish and administer the MSE PSP;
(b) to modify and/or amend the MSE PSP from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the MSE PSP and to do all such acts and to enter into such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the MSE PSP;
(c) to grant Awards in accordance with the provisions of the MSE PSP and pursuant to Section 161 of the Companies Act and to allot and issue, transfer and/or deliver from time to time such number of fully paid-up shares as may be required to be issued, transferred or delivered;
(d) pursuant to the vesting of Awards provided that the aggregate number of shares available pursuant to the MSE PSP and any other share-based schemes of the Company, shall not exceed 15% of the total number of issued shares (excluding treasury shares) of the Company from time to time;
(e) subject to the same being allowed by law, to apply any share purchased or acquired under any share purchase mandate and to deliver such existing shares (including treasury shares) of the Company towards the satisfaction of Awards granted under the MSE PSP; and
(f) to complete and do all such acts and things (including executing such documents as may be required) as they may consider necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and authorised by this Resolution."
[See Explanatory Note 4]

10. Proposed renewal of the Share Purchase Mandate **[Resolution 10]**

"That:

(i) for the purposes of the Companies Act, the Constitution of the Company and the Listing Manual of the 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 10% of the total number of issued shares (excluding treasury shares) of the Company (as ascertained as at the date of Annual General Meeting of the Company), unless the Company has, at any time during the period commencing from the date of which this Resolution is passed and expiring on the date the next Annual General Meeting of the Company is held or is required by law to be held, whichever is earlier, after the date of this Resolution is passed, effected a reduction of its share capital in accordance with the applicable provisions under the Companies Act or a share consolidation, in which event the total number of issued shares of the Company shall be taken to be the total number of shares of the Company as altered by the capital reduction or the share consolidation, at the price of up to but not exceeding the Maximum Price as defined under paragraph 4.4.4 of 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, whichever is earlier, 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, whichever is earlier; and

(ii) the Directors of the Company and/or any of them be and is hereby authorised to complete and do all 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, desirable or expedient to give effect to this Resolution.
[See Explanatory Note 5]

By Order of the Board

Seah Hai Yang
Leong Chee Meng Kenneth
Company Secretaries
Singapore, 29 March 2017

Explanatory Notes:

1 **Tan Chao Hsiung David**, if re-elected, will be considered an independent non-executive director and will remain as the Lead Independent Director, Chairman of the Audit Committee and a member of both the Remuneration and the Nominating Committees.

2. **Resolution 7**, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting ("AGM") of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding (i) 100% for Renounceable Rights Issues and (ii) 50% for Other Shares Issues, of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

   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 Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

   The authority for the 100% Renounceable Rights Issues is proposed pursuant to SGX-ST Practice Note 8.3 which became effective on 13 March 2017 until 31 December 2018 by which date the shares issued pursuant to the Renounceable Rights Issue must be listed ("the Enhanced Rights Issue Limit"). The Enhanced Rights Issue Limit is aimed at helping companies raise funds expediently for expansion activities or working capital. It is subject to the condition that the Company complies with applicable legal requirements including but not limited to provisions in the Companies Act requiring the Company to seek shareholders' approval, disclosure requirements on the use of the proceeds as and when the funds are materially disbursed and a status report on the use of proceeds in the annual report; and limitations in any existing mandate from shareholders.

   The Board considers it desirable to have the flexibility to respond to market developments and is of the view that the Enhanced Rights Issue Limit is in the interests of the Company and its shareholders as it provides the Directors of the Company with an opportunity to raise funds expediently and reducing the time taken for shareholders' approval in the event the need arises. Minority shareholders' interests are mitigated as all shareholders have equal opportunities to participate and can dispose their entitlements through trading of nil-paid rights if they do not wish to subscribe for their rights shares.

   There are no limitations in the existing mandate from shareholders.

   The Enhanced Rights Issue Limit will be exercised only if the Directors believe that to do so would be likely to promote the success of the Company for the benefit of shareholders as a whole.

3. **Resolution 8**, if passed, will approve the adoption of a new Constitution in substitution for, and to the exclusion of, the existing Constitution. The new Constitution contains regulations that take into account the wide-ranging changes to the Companies Act introduced pursuant to the Companies (Amendment) Act 2014 and other updates to the regulatory framework. Please refer to the Addendum despatched together with the Annual Report 2016 which set out the proposed key changes in greater detail.

4. **Resolution 9**, if passed, will authorise and empower the Directors to administer and effect the MSE PSP. Please refer to the Addendum despatched together with the Annual Report 2016 for the rationale, terms and conditions and further details of the MSE PSP.

5. **Resolution 10**, is to renew the mandate to enable the Directors of the Company to purchase or otherwise acquire shares on the terms and subject to the conditions of this Resolution which was first approved by shareholders of the Company on 20 April 2016. 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 proposed renewal of the share purchase mandate on the audited financial statements for the financial year ended 31 December 2016 are set out in greater detail in the Addendum despatched together with the Annual Report 2016.

Notes:

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

(b) A member who is a relevant intermediary is entitled to appoint one or more proxies to attend, speak 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.

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

(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 Annual General Meeting of the Company (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, administration and analysis 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, proxy 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

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 Thursday, 20 April 2017 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 2016 and the statement by Directors and report of the Auditors thereon.		
2	Re-election of Quek Kian Hui as a Director		
3	Re-election of Tan Chao Hsiung David as a Director		
4	First and Final Dividends		
5	Approval of Directors' fees for financial year ending 31 December 2017		
6	Re-appointment of Messrs KPMG LLP as Auditors		
7	Authority to allot and issue shares and convertible securities		
8	Proposed adoption of the New Constitution		
9	Proposed adoption of the MSE Performance Share Plan		
10	Proposed renewal 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 ________________ 2017

Total Number of Shares Held

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

** delete as appropriate*

IMPORTANT: PLEASE READ NOTES OVERLEAF

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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 may appoint not more than two proxies to attend, speak and vote on his behalf at the Annual General Meeting (the "Meeting"). Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy in the form of proxy. 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, speak 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 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.*

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Affix postage stamp here

MUN SIONG ENGINEERING LIMITED
35 TUAS ROAD
JURONG TOWN
SINGAPORE 638496

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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. 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.

6. 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.

7. A corporation that is a member may authorise by resolution of its directors or other governing body 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.

8. 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 29 March 2017.

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

Lim Fung Suan
Senior Maintenance Director

John L. Parkinson
Technical Director

Wei Qian
Maintenance Director

William M. Watson
Service Excellence Director

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

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ENGINEERING LIMITED

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Singapore 638496
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Fax: (65) 6862 0218
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