ANNUAL REPORT 2010

MUN SIONG ENGINEERING LIMITED

VISION

To be a world-class engineering service provider for the global process industry.

OUR MISSION STATEMENT

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

CORE VALUE

Customer Focus

Safety

Quality

Leadership

Teamwork

CONTENTS

Corporate PROFILE

We are an integrated mechanical engineering, electrical and instrumentation service provider for the Process Industries

Mun Siong Engineering Limited ("Mun Siong") was established in April 1969 and listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 22 October 2010.

Mun Siong has expanded from providing mechanical maintenance works, to participating in construction projects with oil majors over the past forty-two years. The Company has successfully completed numerous prestigious construction projects. Besides expanding our construction capabilities in the oil and gas and petrochemical industries, we are also providing highly efficient specialised in-house services for both maintenance and project works to our established clients.

Our commitment to provide safe operations, quality service, reliable turnaround times and our consistent ability to meet our customers' needs, have earned us long-standing business relationships with many major industry participants in the Process Industries and multi-national EPC contractors.

With the acquisition of Ohm Engineering Pte Ltd in year 2000, Mun Siong Group has become an integrated engineering company, providing both mechanical engineering, electrical and instrumentation services for the process industry.

As a testament to our progress over the past forty-two years, we have received numerous awards from our valued customers in appreciation of us completing all works in a timely and safe fashion.

CORE BUSINESS SEGMENTS

Having the ability to undertake Greenfield and Brownfield construction projects, Routine Maintenance, Shutdown Works and Major Turnaround projects, we carried out under our two key business segments, namely Mechanical Engineering, and Electrical and Instrumentation.

MECHANICAL ENGINEERING SEGMENT

(a) Project Works

- Engineering, Procurement, Construction and/or Management (EPC/EPCM)
- Design, Fabrication and Erection of Steel Structures
- Design, Prefabrication & Installation of Piping Works
- Installation of Static & Rotating Equipment
- Construction of Storage Tanks
- Design, Prefabrication of Pre-Assembled Modules (PAM), Skids
- Design, Site Installation of Electrical & Instrumentation Works
- Construction Management & Commissioning of Plants, Refineries

(b) Maintenance Services

- Routine Maintenance, Shutdown Works and Major Turnarounds
- New or Existing Pipeline Work
- Structural Modifications, Additions or Repairs
- Installation, Replacement and Servicing of Rotating Equipment
- Valves Change-out and Servicing/Testing
- Divestment of Plant Equipment
- Isolation and Replacement of Parts/Equipment
- Column/Vessel Internal Works
- Storage Tanks Farm Maintenance
- On Site Flange Machining Work
- High-Torque Rotary Drilling Services
- Re-tubing Services
- Ultra-High Pressure Abrasives Water-Jet Cutting Services
- Tube Shooting Services for Heat Exchanger
- Mechanical De-coking of Heaters
- Plant Maintenance Consultancy

ELECTRICAL & INSTRUMENTATION SEGMENT

- Projects, Routine Maintenance and Major Turnarounds
- Installation of Transformers, Switchgears, Lightings, Lightning Protection
- Grounding System
- Installation of Distribution Control System
- Field Instrument
- Impulse Line
- Calibration and Loop Check

MILESTONES

1969

- Incorporated to perform maintenance services

2000

- Acquired Ohm Engineering to provide electrical and instrumentation services

2007 to 2009

- Awarded a contract for Refinery Modification Project
- Awarded the Ethylene Cracking Complex Project
- Awarded two mechanical maintenance contracts by a petroleum major
- Awarded the Singapore Parallel Train Project

2010

- Awarded three new maintenance contracts
- Listed on the mainboard of the SGX-ST

EXECUTIVE CHAIRMAN'S STATEMENT

"On behalf of the Board of Directors, I am pleased to present the Annual Report of Mun Siong Engineering Limited and its Subsidiaries ("the Group") for the financial year ended 31 December 2010. "

CORPORATE DEVELOPMENT

In our financial year ended 31 December 2010, we made a good effort in strengthening the company's management structure and operational policies for sustainable growth. Over the past forty-two years, the company has grown manifold to become an integrated mechanical engineering, electrical and instrumentation service provider. Outlined below are the major milestones and strategic initiatives that we have achieved and implemented in FY2010.

The Ethylene Cracker Complex project awarded by a multi-national petroleum company was successfully completed in April 2010 while our subsidiary OHM Engineering, was concurrently running the Singapore Parallel Train Project in relation to the electrical installation services awarded by a multi-national EPC contractor; this is expected to complete in the first quarter of 2011. The Group has successfully geared up to meet these challenges to deliver timely, safe and quality services to our valued customers.

For the maintenance sector, FY2010 was characterized by securing three new maintenance service contracts, bringing the total to seven; for a period of three to five years with oil majors in Singapore.

In October 2010, the forty-one-year-old company was successfully admitted to the main board of the Singapore Exchange Securities Trading Limited. This admission has paved the way for the company towards the realisation of the Group's vision to be a world class integrated service provider for the oil and gas, petroleum and petrochemical industries.

Going forward, the Group will focus on strengthening our overseas presence, particularly in emerging Asian economies such as Vietnam. We have established a joint venture associate with two other local companies to explore business opportunities in Vietnam. We will continue to stay on course with our geographical diversification strategy to synergise and maximize cost effectiveness within our Group's operation and structures.

FINANCIAL RESULTS

Our results for FY2010 were buoyed by a better than expected economic recovery in Singapore. I am pleased to report that our Group has delivered a consecutive year of record-breaking profit in FY2010.

Though our Group Revenue has decreased from $67.7 million in FY2009 to $62.4 million in FY2010, it was mainly due to the completion of a project which was in progress in FY2009 but was completed in the second quarter of FY2010. This decrease was partially offset by the increase in term maintenance contracts that were awarded in the first quarter of FY2010, but these will only start to generate revenue in the third quarter of FY2010.

Group Profit before Income Tax has surged from $9.8 million in FY2009 to $13.7 million in FY2010. It is an approximate 39.8 per cent growth compared to FY2009. This figure is a historic milestone for the Group and it marks the fourth consecutive year of growth at the operating level. Profit for the year increased 48.6 per

EXECUTIVE CHAIRMAN'S STATEMENT

cent from $8.1 million in FY2009 to $12.0 million in FY2010. Earnings per share have improved from 2.6 cents per share in FY2009 to 3.6 cents per share in FY2010. It is an approximate 36.9 per cent. improvement.

We have emerged from the global financial turmoil with a healthy balance sheet. The proceeds from the company's Initial Public Offering has generated a net proceed of $18.9 million cash and our operating business has also generated robust cash flows. At the end of FY2010, the Group had a cash and cash equivalent balance of $23.0 million. Group gearing was 91.8 per cent lower.

OUTLOOK

We expect the economy in 2011 to be moderate. With the Singapore government's commitment to supporting the growth of the energy and chemical industry; the Jurong Island version 2.0 initiatives is to boost the Singapore petrochemical industry's competitiveness in the coming decade. The Directors expect the Group's businesses to continue making satisfactory progress in the new financial year so long as there is no significant deterioration in market conditions. However, we will continue to closely monitor and improve the productivity in order to moderate the impact on increasing pricing competition and labour cost on our profit margins.

DIVIDENDS

Given our record results, the Board recommends a first and final dividend of one cent per share. This dividend if approved by Shareholders will be paid on 16 May 2011.

With the exception of unforeseen circumstances, the company seeks to maintain or improve absolute dividend per share.

ACKNOWLEDGEMENT

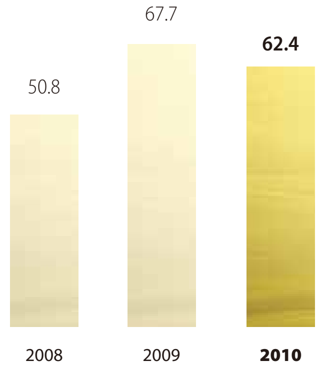
I would like to thank our management and staff for their professionalism and commitment that everyone has put in to ensure our achievement in this financial year and the successful launching of our Initial Public Offering exercise in the fourth quarter of FY2010, bringing the Group to a new chapter.

I also wish to express my heartfelt appreciation to our three Independent Directors for their time and effort in guiding and advising the company throughout the entire process of the Initial Public Offering.

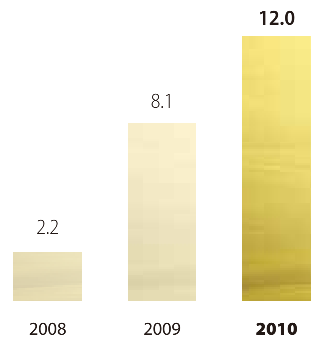
On behalf of the Board, I would like to thank our clients, business associates and shareholders for their unwavering support and contributions in achieving the financial results for FY2010.

Cheng Woei Fen
Executive Chairman

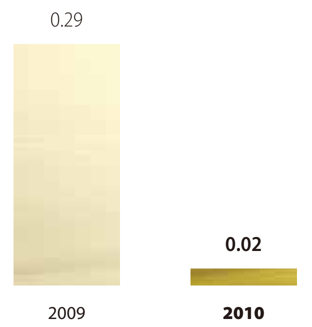
REVENUE ($'mil)



PROFIT FOR THE YEAR ($'mil)



GEARING RATIO



MANAGING DIRECTOR'S STATEMENT

"In terms of profitability, our gross profit margin for FY2010 was increased by 8.6 per cent to 28.7 per cent as compared to 20.1 per cent in FY2009. With our continuous improvement and enhancement in our cost management system, our cost of sales for FY2010 was approximately $44.5 million as compared to FY2009's $54.1 million."

Dear Shareholders,

It is my pleasure to present a review of Mun Siong Engineering's financial performance and business outlook in our first year as a listed company.

Despite the challenging global economic climate, we are able to maintain strong growth and achieved record revenue, maintaining a healthy and strong balance sheet. This attests to the resilience of our business model, as well as the success of our business strategy to target the niche oil and gas, and petrochemical industries.

REVIEW OF FINANCIAL PERFORMANCE

In FY2010, benefiting from the completion of numerous projects with savings from better cost controls during the year under review, we have achieved a record net profit of $12.0 million. Our revenue in FY2010 has decreased compared to the corresponding period in FY2009, but this was mainly due to the completion of a project in the second quarter of 2010. The decrease in revenue from the project was partially offset by an increase in revenue from maintenance works.

In terms of profitability, our gross profit margin for FY2010 was increased by 8.6 per cent to 28.7 per cent as compared to 20.1 per cent in FY2009. With our continuous improvement and enhancement in our cost management system, our cost of sales for FY2010 was approximately $44.5 million as compared to FY2009's $54.1 million.

BUSINESS REVIEW

During FY2010, the Group is pleased to have secured a number of significant contracts for both our Mechanical Engineering Segment and Electrical and Instrumentation Segment, bringing our order book to approximately $16.0 million. The Mechanical Engineering segment which is made up of both Project Works and Maintenance Services, are recognised on a percentage of completion basis and has accounted for approximately 75.1 % of the total revenue. Depending on the nature and complexity of the project, we usually take approximately one to two years to complete a project; while Maintenance services are usually offered in the form of a long-term service contract and are usually for a fixed term of two to five years, and account for 63.2% of total revenue.

While maintaining our strong ties with longstanding customers, we have been active in our business development by participating actively in securing project contracts and long-term maintenance contracts with the Oil and Gas, and Petrochemical majors.

FY2010 has been a fruitful and eventful year for us and we have achieved several milestones that we have set out to achieve. The first half of the year saw us rolling out the office safety and driving management program and procedures respectively to further enhance our safety performance in office and on the road. We have also achieved over 2.2 million man-hours for our group with zero reportable incidents. This was followed by our certification of bizSAFE Star, the highest level of bizSAFE program, which recognized in placed

MANAGING DIRECTOR'S STATEMENT

of a comprehensive WSH management system with the company.

In the second half of FY2010, Mun Siong won two prestigious WSH awards. The awards were given to companies with best safety performance. Last but not least, on 22 October 2010, Mun Siong Engineering Limited was successfully listed onto the mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST").

MOVING FORWARD

Despite the challenging economic and operating environment we faced during FY2010, Mun Siong will remain focused on developing our partnerships with current and potential customers. In the upcoming FY2011, the Group will continue to explore overseas opportunities, in particular, the Asian Market.

Barring unforeseen circumstances, we remain cautiously optimistic and expect to ride on opportunities arising from continuous upgrades and investment on the Oil and Petrochemical facilities in Singapore, especially Jurong Island.

Continuing our effort in enhancing workforce safety and productivity, we are aiming to maintain our stronghold of our experienced management team and skilled work force, to meet the challenges ahead.

A WORD OF THANKS

I would also like to thank our management and staff for their continuous support and contributions, as well as extending my deepest thanks and gratitude to our business partners, associates, customers and shareholders for their invaluable support and confidence in us over the years.

We look forward to a fruitful year ahead.

Quek Chiau Liong
Managing Director

BOARD OF DIRECTORS

CHENG WOEI FEN, 53
Executive Chairman

Ms. Cheng Woei Fen is responsible for the overall management, formulation of business plans, strategic positioning and business expansion of our Group. In addition, she oversees the human resource, finance and corporate services divisions of our Group.

Ms. Cheng is also the Executive Director of OHM Engineering Pte Ltd, a fully owned subsidiary of Mun Siong. She is also the Director of Alliance Process Engineering & Construction Pte. Ltd, a jointly controlled entity of Mun Siong.

Ms. Cheng has a degree in Business Administration from the then Singapore University. She is also the Chairman of the School Advisory Committee of Beacon Primary School.

QUEK CHIAU LIONG, 44
Managing Director

Mr. Quek Chiau Liong plays a vital role in charting the corporate direction of our entire Group and together with the Executive Chairman, he is responsible for the overall management, formulation of business plans, strategic positioning and business expansion of our Group

Mr. Quek holds a Diploma in Mechanical Engineering from Ngee Ann Polytechnic. He is also the Executive Director for the fully owned subsidiary OHM Engineering Pte Ltd.

BOARD OF DIRECTORS

LIN YAN, 46
Executive Director

Mr. Lin Yan is responsible for the business development and management of our Electrical and Instrumentation Segment and reports directly to the Managing Director. With more than 20 years of experience in the Process Industries, he is overseeing the daily operational issues and project management, ensuring timely delivery and cost efficiency for the projects.

Mr. Lin graduated with a Bachelor of Engineering degree from the Beijing Institute of Chemical Technology in 1985.

LIM CHOON WAH, 36
Executive Director

Mr. Lim Choon Wah is responsible for the business development and management of our Mechanical Engineering Segment; include liaising with suppliers, sub-contractors and consultants. He oversees the operation and projects division.

Mr. Lim holds a Bachelor degree in Civil Engineering from the National University of Singapore and Diploma in Marketing from the London Chamber of Commerce Examination Bureau. He is also a member of the Singapore Institute of Engineers.

BOARD OF DIRECTORS

GAN LAI CHIANG, 62
Director (Non-Executive, Independent)

Mr. Gan Lai Chiang was appointed as our Director on 11 October 2010. He is also the Chairman of the Audit Committee as well as a member of the Remuneration Committee and Nominating Committee.

Mr. Gan, a Certified Public Accountant, is presently the Managing Director of Swiss Securitas Asia Pte Ltd with its Headquarter in Switzerland. He is also a director of several other companies in Singapore and Malaysia. Mr Gan was a Member of Parliament for Marine Parade GRC.

Mr. Gan holds a Bachelor of Commerce degree from the University of Western Australia and a Graduate Diploma in Accounting from Curtin University, Australia. He is a Fellow Member of the Institute of Certified Public Accountants of Singapore and member of CPA Australia.

PETER SIM SWEE YAM, 55
Director (Non-Executive, Independent)

Mr. Peter Sim Swee Yam was appointed as our Director on 11 October 2010. He is also the Chairman of the Nominating Committee as well as a member of the Audit Committee and Remuneration Committee.

Mr. Sim is the Director of Sim Law Practice LLC and the Commissioner for Oaths and Notary Public. He is also the Chairman of the Criminal Law Advisory Committee of the Ministry of Home Affairs. He holds directorships in several other companies and associations in Singapore.

Mr. Sim holds a Bachelor of Law degree from the University of Singapore. He is a Member of the Membership Sub-Committee of the Singapore Academy of Law.

TAN CHEE MENG, 54
Director (Non-Executive, Independent)

Mr. Tan Chee Meng was appointed as our Director on 11 October 2010. He is also the Chairman of the Remuneration Committee as well as a member of the Audit Committee and Nominating Committee.

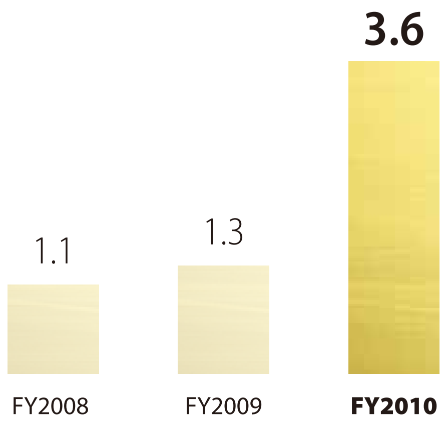
Mr. Tan, a Senior Counsel, is the Deputy Managing Partner of WongPartnership LLP. He sits on the Boards of Singapore Power Ltd, SPI (Australia) Assets Pty Ltd, Urban Redevelopment Authority, Jurong Town Corporation, St Gabriel's Foundation and All Saints Home.

Mr. Tan holds a Bachelor of Engineering degree from the University of Canterbury, New Zealand, a Bachelor of Laws from the University of Singapore and a Master of Laws from the University of Cambridge. He is also on the Panel of Arbitrators of the Abu Dhabi Commercial Conciliation & Arbitration Center (ADCCAC), Dubai International Financial Centre Arbitration Centre (DIFC), Singapore International Arbitration Centre (SIAC) and Singapore Institute of Arbitrators (SIArb), and is an Accredited adjudicator under the Building and Construction Industry Security of Payment Act.

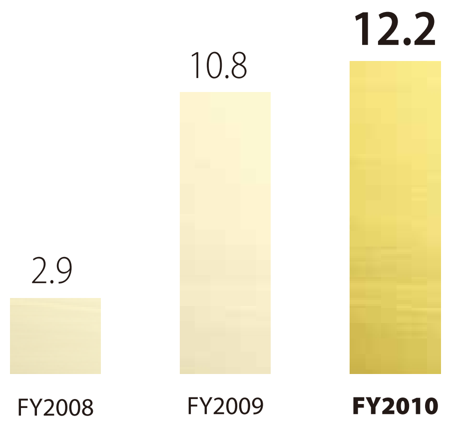
"Continuous Growth,
Reaching Out Into The Region"

Financial Highlights

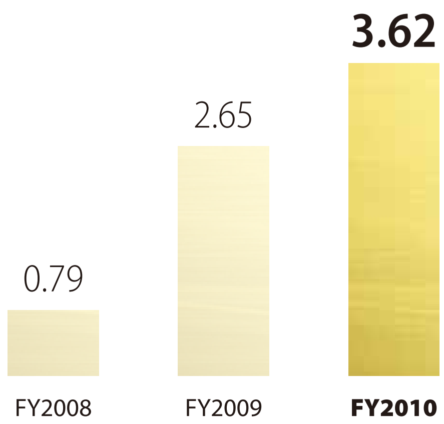
CURRENT RATIO



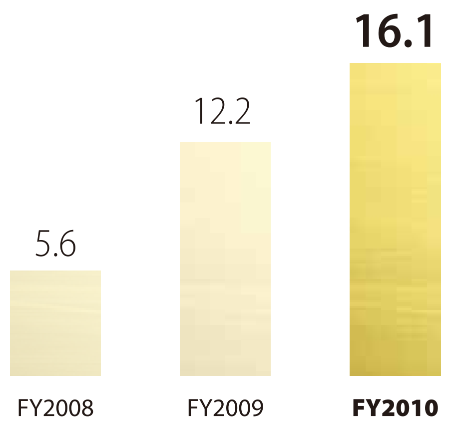
OPERATING CASH FLOW ($'mil)



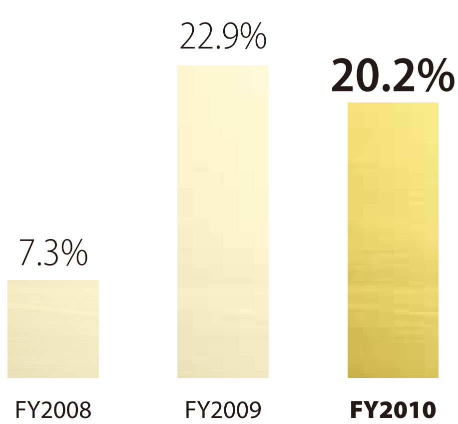
EARNING PER SHARE (cents)



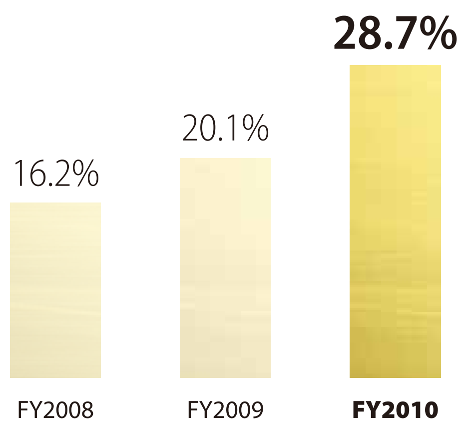
EBIDTA ($'mil)



RETURNS ON ASSETS (%)



GP MARGIN (%)



Corporate Governance

Introduction

The Board of Directors (the "Board") is committed to ensuring that the highest standards of corporate governance are practised throughout Mun Siong Engineering Limited (the "Company") and its subsidiaries (the "Group"), as a fundamental part of its responsibilities to protect and enhance shareholder 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 Code of Corporate Governance 2005 **("2005 Code")**.

This report describes the Group's corporate governance practices and structures that were in place during the financial year ended 31 December 2010.

(A) Board matters

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 success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.

The Board's primary role is to protect and enhance long-term shareholder value. To fulfill this role, the Board is responsible for the overall corporate governance of the Group including:

- Providing entrepreneurial leadership, set strategic aims, and ensuring the necessary financial and human resources are in place for the Group to meet its objectives;
- Overseeing internal control processes, financial reporting and compliance, including the release of financial results and announcements of material transactions;
- Establishing a framework of prudent and effective controls which enables risk to be assessed and managed;
- Reviewing management's performance; and
- Setting the Group's values and standards, and ensuring that obligations to shareholders and others are understood and met

The Board objectively takes decisions in the interests of the Group. The Board has delegated specific responsibilities to three Committees, namely the Audit, Nomination, and Remuneration 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 business plans, material acquisitions and disposals of assets, corporate or financial structuring, corporate strategy, share issuance, dividends, and shareholder matters.

(A) Board matters (Continued)

Board's Conduct of its Affairs (Continued)

The number of Board and Board Committee meetings held in the current financial year and the attendance of directors during these meetings is as follows:

	Board of directors			Audit Committee			Nomination Committee			Remuneration Committee		
		Number of meetings			Number of meetings			Number of meetings			Number of meetings	
	Position	Held	Attended	Position	Held	Attended	Position	Held	Attended	Position	Held	Attended
Executive Director												
Cheng Woei Fen	C	1	1	NA	1	1#	NA	–	–	NA	–	–
Quek Chiau Liong	M	1	1	NA	1	1#	NA	–	–	NA	–	–
Lin Yan	M	1	1	NA	1	1#	NA	–	–	NA	–	–
Lim Choon Wah	M	1	1	NA	1	1#	NA	–	–	NA	–	–
Non-executive director												
Gan Lai Chiang	M	1	1	C	1	1	M	–*	–*	M	–*	–*
Peter Sim Swee Yam	M	1	1	M	1	1	C	–*	–*	M	–*	–*
Tan Chee Meng	M	1	1	M	1	1	M	–*	–*	C	–*	–*

* There were no Remuneration and Nomination Committee meetings held during the financial year as the Committees were only formed on 11th October 2010.

\# By invitation

NA Not applicable

A formal letter is provided to each director upon his appointment, setting out the director's duties and obligations. The Group also conducts an orientation programme for new directors to familiarise them with the business activities of the Group. Training for all directors has also been provided by the Group's Corporate Governance Advisor on good corporate governance practices.

(A) Board matters (Continued)

Board Composition and Balance

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

The Board comprises seven members, three of whom are non-executive directors (including the Chairman of the Audit Committee). All non-executive directors, are also independent (i.e. they have no relationship with the Company, its related companies or their 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 list of directors is as follows:

Name	Date of Appointment	Designation
Cheng Woei Fen	31 October 1981	Executive Director
Quek Chiau Liong	28 June 1993	Managing Director
Lin Yan	13 February 2009	Executive Director
Lim Choon Wah	1 October 2009	Executive Director
Gan Lai Chiang	11 October 2010	Non-executive Director, Independent
Peter Sim Swee Yam	11 October 2010	Non-executive Director, Independent
Tan Chee Meng	11 October 2010	Non-executive Director, Independent

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 range of industry knowledge, expertise and experience in areas such as accounting, finance, business and management, and legal relevant to the Group and its industry.

The Nominating Committee reviews the size of the Board on an annual basis, and considers the present Board size as appropriate for the current scope and nature of the Group's operations. As independent and non-executive directors make up almost half of the Board, no individual or group is able to dominate the Board's decision-making process. There is also balance in the Board because of the presence of independent, non-executive directors of the calibre necessary to carry sufficient weight in Board decisions. Although all the directors have an equal responsibility for the Group's operations, the role of these independent non-executive 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, suppliers and the many communities in which the Group conducts business.

Whilst the Company is controlled by major shareholders, the investment of minority shareholders is fairly represented through the representation of independent directors.

(A) Board matters (Continued)

Executive Chairman and Managing Director

Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

The roles of the Executive Chairman and Managing Director are separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The Executive Chairman, Cheng Woei Fen, 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 Managing Director, Quek Chiau Liong, is an executive director responsible for the business direction, strategic positioning and business expansion of the Group.

The Executive Chairman ensures that Board meetings are held as and when necessary. She leads the Board to ensure its effectiveness and approves the agenda of each Board meeting in consultation with the Managing Director. The Executive Chairman reviews most Board papers before they are presented to the Board and ensures that Board members are provided with 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. The Executive Chairman monitors communications and relations between the Company and its shareholders, between the Board and Management, and between independent and non-independent directors, with a view to encouraging constructive relations and dialogue amongst them. The Executive Chairman works to facilitate the effective contribution of non-executive directors. The foregoing responsibilities of the Executive Chairman are included in the abovementioned guidelines endorsed by the Board.

Quek Chiau Liong is the stepson of Cheng Woei Fen. As the above practice is a deviation from the principle, and pursuant to the recommendation by the 2005 Code, the Board has appointed Gan Lai Chiang, an independent non-executive director, as our Lead Independent Director. Mr Gan is available to shareholders where they have concerns which contact through the normal channels of the Chairman, Managing Director or the Chief Financial Officer has failed to resolve or for which such contact is inappropriate.

Nomination Committee

Principle 4: There should be a formal and transparent process for the appointment of new Directors to the Board.

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

Peter Sim Swee Yam (Chairman)
Gan Lai Chiang
Tan Chee Meng

The Nomination Committee was set up on 11 October 2010. The Chairman of the Nomination Committee is neither a substantial shareholder of the Company nor directly associated with a substantial shareholder of the Company.

(A) Board matters (Continued)

Nomination Committee (Continued)

The Nomination Committee has a term 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. In its search, nomination and selection process for new directors, the Nomination 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. After endorsement by the Board of the key attributes, the Nomination 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 are appointed to assist in the search process. Interviews are set up with potential candidates for Nomination 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 Articles of Association of the Company. In its deliberations on the re-nomination of existing directors, the Nomination Committee takes into consideration the directors' contribution and performance (including, if applicable, his contribution and performance as an independent director). The assessment parameters include attendance record, preparedness, intensity of participation and candour at meetings of the Board and Committees as well as the quality of intervention and special contributions. The Chairman of the Board will give feedback to the Nomination 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 Nomination Committee will take into consideration his views in this regard.

3. Determining the independence of directors annually. In doing so, the Nomination Committee takes into account the circumstances set forth in Guideline 2.1 of the 2005 Code and any other salient factors. Following its annual review, the Nomination Committee has endorsed the independent status of the independent non-executive directors.

The Nomination 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 multiple board representations, and there is presently no need to implement internal guidelines to address their competing time commitments. This matter is reviewed on an annual basis by the Nomination Committee.

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

The assessment utilizes a confidential questionnaire, covering areas such as the effectiveness of the Board in its monitoring role, is completed by each director individually. The completed qualitative assessment questionnaires are collated for the Nomination Committee's discussion. The results, conclusions and recommendation are then presented to the Board by the Nomination Committee.

(A) Board matters (Continued)

Nomination Committee (Continued)

The assessment of individual directors is done through both self-assessment, in each case through a confidential questionnaire completed by directors individually. The assessment parameters for such individual evaluation include attendance and contributions during Board meetings as well as commitment to their role as directors. The completed questionnaires are then collated for the Nomination Committee's deliberation.

The assessment of the Board and the directors are carried out annually.

Access to information

Principle 6: In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

All directors receive a set of Board papers prior to the Board meeting. This is generally issued to them at least seven days prior to the meeting in sufficient time to enable the directors to obtain further explanations, where necessary, in order to be briefed properly and prepare for the meeting.

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 directors have separate and independent access to the Group's senior management, including the Executive Chairman, Managing Director, Chief Financial Officer and other executive officer, 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, directors' queries and Management's responses are circulated to all Board members for their information.

All directors have separate and independent access to the advice and services of the Company Secretary. The Company Secretary attends 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 Nomination Committee. Under the direction of the Chairman, the Company Secretary is responsible for ensuring good information flows within the Board and its Committees and between senior management and non-executive directors, as well as facilitating orientation and assisting with professional development as required.

Under the Articles of Association of the Company, the decision to appoint or remove 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 own remuneration.

Remuneration Committee

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

Mr Tan Chee Meng (Chairman)
Mr Gan Lai Chiang
Mr Peter Sim Swee Yam

The principal responsibilities of the Remuneration Committee include:

- Reviewing and recommending to the Board for endorsement, a framework for computation of directors' fees of the Board, as well as remuneration of executive directors and senior management grade or its equivalent and above. For executive directors and other 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 other senior management.

In framing the Group's remuneration policy as described above, the Remuneration Committee from time to time refers to market reports on average remuneration.

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

The Remuneration Committee's review covers all aspects of remuneration, including salaries, fees, allowances, bonuses and benefits-in-kind. The Remuneration Committee's recommendations are submitted for endorsement by the entire Board.

Level and Mix of Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the Directors needed to run the company successfully but companies should avoid paying more than necessary for this purpose. A significant proportion of executive Directors' remuneration should be structured so as to link rewards to corporate and individual performance.

The remuneration package of executive directors and other senior management grade or its equivalent and above ("Senior Management") consists of the following components:

(B) Remuneration matters (Continued)

(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 Senior Management, against selected key performance indicators, is undertaken each year. Bonuses payable to Senior Management 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 car 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 Directors are considered when determining their level of fees.

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key executives, and performance.

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, and corporate and individual performance.

(B) Remuneration matters (Continued)

Disclosure on Remuneration (Continued)

	Salary %	Variable Bonus %	Director's Fees %	Benefits %	Total %
Directors					
Above $500,000 but below $750,000					
Cheng Woei Fen	31%	65%	–	4%	100%
Above $250,000 but below $500,000					
Quek Chiau Liong	33%	61%	–	6%	100%
Lim Choon Wah	39%	56%	–	5%	100%
Below $250,000					
Lin Yan	59%	38%	–	3%	100%
Gan Lai Chiang	0%	0%	100%	–	100%
Peter Sim Swee Yam	0%	0%	100%	–	100%
Tan Chee Meng	0%	0%	100%	–	100%
Key Executives					
Below $250,000					
Lim Boon Kiang	100%	–	–	–	100%
Chong Siew Lian	100%	–	–	–	100%
Wei Qian	100%	–	–	–	100%
Ker Bee Bee	100%	–	–	–	100%

The aggregate remuneration of the two employees who are immediate family members of our Chairman and Managing Director was approximately $72,000 for the relevant financial year.

The Company had on 6 October 2010, entered into a service agreement with Cheng Woei Fen and Quek Chiau Liong in relation to their appointment as the Chairman and the Managing Director respectively. The service agreements took effect from the date of the Company's admission to the Official List of the SGX-ST, being 22 October 2010, for an initial period of three years, and shall be renewable automatically on an annual basis thereafter. The Remuneration Committee is responsible for reviewing the compensation commitments in the event of an early termination.

(C) Accountability and audit

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company'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).

Audit Committee

Principle 11: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

The Audit Committee comprises the following Directors:

Mr Gan Lai Chiang (Chairman)
Mr Peter Sim Swee Yam
Mr Tan Chee Meng

The Audit Committee held one meeting during the financial year. The meeting was 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 were also present at the relevant junctures during the meeting. All members of this Committee are non-executive directors and are independent.

The Board is of the view that all the members of the Audit Committee are appropriately qualified to discharge their responsibilities. Mr Gan has the requisite accounting and related financial management expertise and experience while Mr Peter Sim has relevant experience from his involvement in the various committees of the SGX-listed companies that he held directorships. Mr Tan has extensive local and international exposure in the corporate world.

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 cooperation 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 scope, approach and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditor;

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

(C) Accountability and audit (Continued)

Audit Committee (Continued)

- 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 the adequacy of the Group's internal financial controls, operational and compliance controls, and risk management policies and systems (hereinafter referred to collectively as "internal controls") at least annually;
- 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 the external auditors' audit plan, audit report and the external auditors' evaluation of the system of internal accounting controls with the external auditors as well as the assistance given by Management to the external auditors; and
- Reviewing the quarterly and full-year financial reports of the Group, prior to their submission to the Board

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.

Internal Controls and internal audit

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

Principle 13: The company should establish an internal audit function that is independent of the activities it audits.

The Board recognises the importance of sound internal controls and risk management practices to good corporate governance and has outsourced its internal audit function. The Audit Committee will review its adequacy and effectiveness each year. SK Lai & Co. has been appointed as the Internal Auditor during the year. The internal auditor reports primarily to the Audit Committee.

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

(C) Accountability and audit (Continued)

Internal Controls and internal audit (Continued)

Based on the internal controls established and maintained by the Group, work performed by the internal and 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.

SK Lai & Co. has been appointed the Internal Auditor during the financial year; the Internal Auditor has a direct and primary reporting line to the Chairman of the Audit Committee, with administrative reporting to the Chairman. The Internal Auditor assists the Board in monitoring risks and internal controls of the Group.

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 reports directly to the Chairman of the Audit Committee.

Auditors' independence

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

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 were no interested person transactions during the financial year.

Material Contracts

There were no material contracts entered into by the Group involving the interests of any Director or controlling shareholder.

(D) Communication with shareholders

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Group values dialogue with its shareholders. 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 a 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 a telephone or email feedback line that goes 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. Results and annual reports are announced or issued within the mandatory period.

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 Articles of Association 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 available on a cost-effective basis and when the Board views this is of sufficient interest to the Company's shareholders.

At each Annual General Meeting, the Board will present the progress and performance of the Group and encourage shareholders to participate in the question and answer session. The external auditor will address shareholders' queries on the conduct of the audit and the preparation and content of the auditor's report. The Chairpersons of the Audit, Nomination and Remuneration Committees, or members of the respective Committees standing in for them, will be 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 will also present at general meetings to respond, if necessary, to operational questions from shareholders.

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

Dealings in securities

The Group has adopted an internal code on securities trading which provides guidance and internal regulation with regard to dealings in the Group's securities by its directors and officers. The Group's internal code prohibits its directors and officers from dealing in listed securities of the Group while in possession of unpublished material or price-sensitive information in relation to such securities and during the "closed period", which is defined as 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. Directors and officers are also prohibited from dealing in the Group's securities on short-term considerations.

Corporate Governance

Statement of Compliance

The Company has generally complied with the principles and guidelines of the 2005 Code.

Utilisation of proceeds from IPO

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

Purpose	**Amount raised $'000**	**Amount utilised $'000**	**Balance amount $'000**
To establish a regional presence	4,000	110	3,890
To establish an engineering design centre and upgrading of existing database management system	1,000	40	960
Widening the range of services available to our customers	12,500	–	12,500
Working capital	1,400	–	1,400
Total	18,900	150	18,750

Financial Contents

Directors' Report

Year ended 31 December 2010

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 2010.

Directors

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

Cheng Woei Fen	
Quek Chiau Liong	
Lin Yan	
Lim Choon Wah	
Tan Chee Meng	(Appointed on 11 October 2010)
Gan Lai Chiang	(Appointed on 11 October 2010)
Peter Sim Swee Yam	(Appointed on 11 October 2010)

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Singapore 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 the wholly-owned subsidiary) are as follows:

	Direct interests		Deem interests	
Name of director and corporation in which interests are held	**Holding at beginning of the year/date of appointment**	**Holding at end of the year**	**Holding at beginning of the year/date of appointment**	**Holding at end of the year**
The Company				
Ordinary shares				
Cheng Woei Fen	1,815,000	198,954,000	760,000	47,880,000
Quek Chiau Liong	580,000	36,540,000	–	–
Lin Yan	80,000	5,190,000	–	–
Lim Choon Wah	–	500,000	–	–
Gan Lai Chiang	–	100,000	–	–
Tan Chee Meng	–	100,000	–	–
Peter Sim Swee Yam	–	100,000	–	–

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

Except as disclosed in this report, 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 date of appointment if later, or at the end of the financial year.

Directors' interests (Continued)

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.

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in note 26 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

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 subsidiary under option.

Audit Committee

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

- Gan Lai Chiang (Chairman), non-executive director
- Peter Sim Swee Yan, non-executive director
- Tan Chee Meng, 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 two meetings since the last directors' report. In performing its functions, the Audit Committee met with the Company's external auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also carried out the following:

- Reviewed with the external auditors the audit plan, their evaluation of the system of internal controls, their audit report, their management letter and our management's response.
- Reviewed and discussed and discuss with external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on Group's operating results or financial position.
- Reviewed quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the Board of Directors of the Company for adoption; and
- Reviewed transactions falling within the scope of Chapter 9 and Chapter 10 of the Listing Manual (if any).

The Audit Committee has full access to 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.

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 Chiau Liong
Director

28 March 2011

Statement by Directors

Year ended 31 December 2010

In our opinion:

(a) the financial statements set out on pages 34 to 76 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010 and the results, 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.

On behalf of the Board of Directors

Cheng Woei Fen
Director

Quek Chiau Liong
Director

28 March 2011

Independent Auditors' Report

Members of the Company
Mun Siong Engineering Limited and its subsidiaries

Report on the financial statements

We have audited the accompanying financial statements of Mun Siong Engineering Limited (the Company) and its subsidiaries (the Group), which comprise the statements of financial position of the Group and the Company as at 31 December 2010, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 34 to 76.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheet and to maintain accountability of assets.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Independent Auditors' Report

Report on the financial statements (Continued)

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010 and the results, changes in equity and cash flows of the Group for the year ended on that date.

Report on other legal and regulatory requirements

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

KPMG LLP
Public Accountants and
Certified Public Accountants

Singapore
28 March 2011

Statements of Financial Position

As at 31 December 2010

	Note	Group 2010 $	Group 2009 $	Company 2010 $	Company 2009 $
Assets					
Property, plant and equipment	4	15,833,523	13,491,096	15,506,722	13,103,939
Goodwill on consolidation	5	1,001,330	1,001,330	–	–
Investment properties	6	1,220,000	1,130,000	920,000	830,000
Subsidiaries	7	–	–	1,436,000	1,487,000
Associate	8	–	–	–	–
Jointly controlled entity	9	100,000	–	100,000	–
Total non-current assets		18,154,853	15,622,426	17,962,722	15,420,939
Inventories	10	5,250,842	3,271,882	1,215,222	1,223,590
Trade and other receivables	12	13,135,146	11,364,018	11,227,521	10,178,211
Cash and cash equivalents	13	23,020,601	5,054,991	21,476,712	1,830,941
Total current assets		41,406,589	19,690,891	33,919,455	13,232,742
Total assets		59,561,442	35,313,317	51,882,177	28,653,681
Equity					
Share capital	14	24,528,000	5,628,000	24,528,000	5,628,000
Retained earnings		22,411,955	10,380,866	16,929,598	5,893,270
Total equity attributable to owners of the Company		46,939,955	16,008,866	41,457,598	11,521,270
Non-controlling interest		–	44,237	–	–
Total equity		46,939,955	16,053,103	41,457,598	11,521,270
Liabilities					
Loans and borrowings	15	31,634	2,879,235	31,634	2,879,235
Deferred tax liabilities	16	1,102,000	783,500	1,055,000	755,000
Total non-current liabilities		1,133,634	3,662,735	1,086,634	3,634,235
Trade and other payables	17	8,776,360	12,291,940	7,606,452	10,735,637
Loans and borrowings	15	1,091,188	1,830,052	1,091,188	1,830,052
Current tax payable		1,620,305	1,475,487	640,305	932,487
Total current liabilities		11,487,853	15,597,479	9,337,945	13,498,176
Total liabilities		12,621,487	19,260,214	10,424,579	17,132,411
Total equity and liabilities		59,561,442	35,313,317	51,882,177	28,653,681

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

Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

	Note	2010 $	2009 $
Revenue	18	62,353,968	67,728,134
Cost of sales		(44,465,139)	(54,081,784)
Gross profit		17,888,829	13,646,350
Other income	19	1,241,219	1,570,571
Administrative expenses		(5,227,961)	(5,006,137)
Other expenses		(37,904)	(13,241)
Results from operating activities		13,864,183	10,197,543
Finance costs	20	(115,512)	(363,832)
Profit before income tax	21	13,748,671	9,833,711
Income tax expense	22	(1,717,582)	(1,737,077)
Profit for the year/Total comprehensive income for the year		12,031,089	8,096,634
Profit attributable to:			
Owners of the Company		12,031,089	8,097,255
Non-controlling interest		–	(621)
Profit for the year/Total comprehensive income for the year		12,031,089	8,096,634
Earnings per share			
Basic earnings per share (cents)	23	3.62	2.65
Diluted earnings per share (cents)	23	3.62	2.65

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

Consolidated Statement of Changes in Equity

Year ended 31 December 2010

Group	Note	Share capital $	Retained earnings $	Total attributable to owners of the Company $	Non-controlling interest $	Total $
At 1 January 2009		5,236,000	7,283,611	12,519,611	44,858	12,564,469
Total comprehensive income for the year						
Profit for the year		–	8,097,255	8,097,255	(621)	8,096,634
Total comprehensive income for the year		–	8,097,255	8,097,255	(621)	8,096,634
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Issue of ordinary shares	14	392,000	–	392,000	–	392,000
One-tier tax exempt interim dividend of $1.02 per ordinary share in respect of the year ended 31 December 2009		–	(5,000,000)	(5,000,000)	–	(5,000,000)
Total transactions with owners		392,000	(5,000,000)	(4,608,000)	–	(4,608,000)
At 31 December 2009		5,628,000	10,380,866	16,008,866	44,237	16,053,103

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

Group	Note	Share capital $	Retained earnings $	Total attributable to owners of the Company $	Non-controlling interest $	Total $
At 1 January 2010		5,628,000	10,380,866	16,008,866	44,237	16,053,103
Total comprehensive income for the year						
Profit for the year		–	12,031,089	12,031,089	–	12,031,089
Total comprehensive income for the year		–	12,031,089	12,031,089	–	12,031,089
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Issue of ordinary shares, net of issue expenses	14	18,900,000	–	18,900,000	–	18,900,000
Liquidation of subsidiary		–	–	–	(44,237)	(44,237)
Total transactions with owners		18,900,000	–	18,900,000	(44,237)	18,855,763
At 31 December 2010		24,528,000	22,411,955	46,939,955	–	46,939,955

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

Consolidated Statement of Cash Flows

Year ended 31 December 2010

	Note	2010 $	2009 $
Cash flows from operating activities			
Profit before income tax		13,748,671	9,833,711
Adjustments for:			
Depreciation of property, plant and equipment		2,271,698	1,982,065
Interest expense		115,512	363,832
Property, plant and equipment written off		37,693	30,248
Interest income		(25,350)	(676)
Net (gain)/loss on disposal of property, plant and equipment		(308,419)	45,423
Net change in fair value of investment properties		(90,000)	(96,800)
		15,749,805	12,157,803
Change in inventories		(2,013,416)	3,117,866
Change in trade and other receivables		(1,771,128)	(3,296,475)
Change in trade and other payables		1,484,420	(551,012)
Cash generated from operating activities		13,449,681	11,428,182
Income tax paid		(1,254,264)	(578,490)
Net generated cash from operating activities		12,195,417	10,849,692
Cash flows from investing activities			
Interest received		25,350	676
Investment in jointly controlled entity		(100,000)	–
Proceeds from sale of property, plant and equipment		1,403,915	34,069
Acquisition of property, plant and equipment		(5,712,858)	(2,239,095)
Distribution to non-controlling interest on liquidation of subsidiary		(44,237)	–
Net cash used in investing activities		(4,427,830)	(2,204,350)
Cash flows from financing activities			
Proceeds from issue of shares, net of share issue expenses	14	18,900,000	392,000
Proceeds from borrowings		–	6,434,241
Repayment of borrowings		(3,409,736)	(5,401,683)
Payment of finance lease liabilities		(176,729)	(5,171,904)
Dividend paid in respect of previous year		(5,000,000)	–
Interest paid		(115,512)	(363,832)
Net cash generated from/(used in) financing activities		10,198,023	(4,111,178)
Net increase in cash and cash equivalents		17,965,610	4,534,164
Cash and cash equivalents at 1 January		5,054,991	520,827
Cash and cash equivalents at 31 December	13	23,020,601	5,054,991

The accompanying notes form an integral part of these 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 28 March 2011.

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 Company as at and for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interests in associate and jointly controlled entity.

The principal activities of the Company are those of mechanical engineering service provider and investment holding company. The principal activities of the subsidiaries are set out in note 7 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 for certain financial assets and liabilities which are measured at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is also the Company's functional currency.

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.

2 Basis of preparation (Continued)

2.4 Use of estimates and judgements (Continued)

In particular, information about significant areas of estimation, uncertainties and assumptions in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are as follows:

- Note 4 – measurement of recoverable amounts of property, plant and equipment
- Note 5 – measurement of recoverable amount of goodwill
- Note 6 – valuation of investment properties
- Note 18 – estimation of the percentage of completion of the projects, attributable profits and foreseeable losses
- Note 25 – assessment of impairment losses on doubtful receivables

Information about critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are as follows:

(i) Impairment assessment of investments in jointly controlled entity

The Group follows the guidance of FRS 36 Impairment of Assets in determining whether its investment in jointly controlled entity is impaired at least on an annual basis. This determination requires significant judgement. The Group evaluates, among other factors, internal and external sources of information, whether significant changes with an adverse effect on the jointly controlled entity have taken place during the financial year (see Note 3.10).

2.5 Changes in accounting policies

Accounting for business combinations

From 1 January 2010, the Group has applied FRS 103 Business Combinations (2009) in accounting for business combinations. Business combinations are now accounted for using the acquisition method as at the acquisition date (see Note 3.1).

Previously, business combinations were accounted for under the purchase method. The cost of an acquisition was measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition was credited to profit or loss in the period of the acquisition. For business acquisitions that were achieved in stages, any existing equity interests in the acquiree were not re-measured to their fair value. Contingent consideration was recognised as an adjustment to the cost of acquisition only when it was probable and can be measured reliably.

The change in accounting policy has been applied prospectively to new business combinations occurring on or after 1 January 2010 and has no material impact on earnings per share.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, except as explained in note 2.5, which addresses changes in accounting policies.

3.1 Consolidation

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

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

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.

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

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

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 where 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.

3 Significant accounting policies (Continued)

3.1 Consolidation (Continued)

Investments in associate and jointly controlled entity

Investments in associate and jointly controlled entity are accounted for using the equity method and are recognised initially at cost. The cost of the investments includes transaction cost. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity-accounted investee, after adjustments to align the accounting policies of the equity-accounted investee with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Transactions eliminated on consolidation

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

Accounting for subsidiaries, associate and jointly controlled entity

Investments in subsidiaries, associate and jointly controlled entity are stated in the Company's statement of financial position at cost less accumulated impairment losses.

3.2 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at the reporting 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 period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. 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.

Foreign currency differences arising on translation are recognised in profit or loss.

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, 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 gains or losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income in profit or loss.

Subsequent costs

The cost of replacing a part 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 part 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 calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. 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.

3 Significant accounting policies (Continued)

3.3 Property, plant and equipment (Continued)

Depreciation (Continued)

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

Leasehold building	Over the remaining lease term of 13 years
Machinery, tools and equipment	5 to 10 years
Furniture and office equipment	5 to 10 years
Motor vehicles	5 years
Other assets	7 – 10 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3.4 Goodwill on consolidation

Goodwill on consolidation represents the excess of the cost of acquisition over the Group's interests in the net fair value of the identifiable assets and liabilities of the acquiree.

Goodwill 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.

Goodwill is measured at cost less accumulated impairment losses.

3.5 Investment property

Investment property is property held 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 property is measured at cost on initial recognition and subsequently at fair value with any change therein 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.

3.6 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, except for investment property, the leased assets are not recognised in the Group's statement of financial position.

3 Significant accounting policies (Continued)

3.7 Inventories

Inventories 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 selling expenses.

3.8 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 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 inventories in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as deferred income in the statement of financial position.

3.9 Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they originated. All other financial assets are recognised initially on the trade date at which 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. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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.

3 Significant accounting policies (Continued)

3.9 Financial instruments (Continued)

Non-derivative financial assets (Continued)

Loans and receivables (Continued)

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

Cash and cash equivalents comprise cash balances and bank deposits.

Non-derivative financial liabilities

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

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

The Group has the following non-derivative financial liabilities: loans and borrowings, and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

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.

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.

3.10 Impairment

Financial assets (including receivables)

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

3 Significant accounting policies (Continued)

3.10 Impairment (Continued)

Financial assets (including receivables) (Continued)

Objective evidence that financial assets (including equity securities) 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 or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

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

In assessing collective impairment, the Group uses historical trends of the probability of default, 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 receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets other than investment property and inventories 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 and intangible assets that have indefinite useful lives or that are not yet available for use, 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.

The recoverable amount of an asset or cash-generating unit 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.

3 Significant accounting policies (Continued)

3.10 Impairment (Continued)

Non-financial assets (Continued)

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest identifiable asset group that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purpose 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. 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 units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment loss 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.

3.11 Employee benefits

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution 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 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.

3.12 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 Significant accounting policies (Continued)

3.13 Provision

A provision is recognised if, as a result of a past event, the Group has a 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.

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. As soon as 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.

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 has been acknowledged by the customer.

Rental income

Rental income from investment property is recognised in the profit or loss on a straight-line basis over the term of the lease.

Interest income

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

3.15 Government grants

Jobs Credit Scheme

Cash grants received from the Government in relation to the Jobs Credit Scheme are recognised as income upon receipt.

3.16 Finance costs

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

3 Significant accounting policies (Continued)

3.17 Income tax

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: 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, and differences relating to investments in subsidiaries and jointly controlled entity to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. 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.

3.18 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 weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusting for own share held, for the effect of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employee.

3.19 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 Executive Chairman and Managing Director to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information available.

3 Significant accounting policies (Continued)

3.19 Segment reporting (Continued)

Segment results that are reported to the Executive Chairman and Managing Director include items directly attributable to segment as well as those that can be allocated on a reasonable basis. Unalloted items comprise mainly head office expenses.

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

3.20 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective from annual period beginning after 1 January 2010, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group.

4 Property, plant and equipment

Group	Leasehold property $	Machinery, tools and equipment $	Furniture and office equipments $	Motor vehicles $	Other assets $	Total $
Cost						
At 1 January 2009	3,982,826	12,755,443	1,064,921	4,671,607	348,471	22,823,268
Additions	5,500	1,796,578	105,465	305,356	26,196	2,239,095
Disposals/Write-off	–	(578,834)	(68,582)	(136,100)	(3,500)	(787,016)
At 31 December 2009	3,988,326	13,973,187	1,101,804	4,840,863	371,167	24,275,347
Additions	1,948,742	2,518,195	905,980	290,351	49,590	5,712,858
Disposals/Write-off	–	(1,980,535)	(34,071)	–	(11,800)	(2,026,406)
At 31 December 2010	5,937,068	14,510,847	1,973,713	5,131,214	408,957	27,961,799
Accumulated depreciation						
At 1 January 2009	696,598	5,342,477	506,064	2,637,327	253,703	9,436,169
Charge for the year	274,311	991,131	83,389	657,098	19,429	2,025,358
Disposals/Write-off	–	(473,421)	(64,255)	(136,100)	(3,500)	(677,276)
At 31 December 2009	970,909	5,860,187	525,198	3,158,325	269,632	10,784,251
Charge for the year	290,967	1,123,947	95,914	703,635	22,779	2,237,242
Disposals/Write-off	–	(869,163)	(12,404)	–	(11,650)	(893,217)
At 31 December 2010	1,261,876	6,114,971	608,708	3,861,960	280,761	12,128,276
Carrying amounts						
At 1 January 2009	3,286,228	7,412,966	558,857	2,034,280	94,768	13,387,099
At 31 December 2009	3,017,417	8,113,000	576,606	1,682,538	101,535	13,491,096
At 31 December 2010	4,675,192	8,395,876	1,365,005	1,269,254	128,196	15,833,523

4 Property, plant and equipment (Continued)

Company	Leasehold property $	Machinery, tools and equipment $	Furniture and office equipments $	Motor vehicles $	Other assets $	Total $
Cost						
At 1 January 2009	3,982,826	12,481,844	811,133	4,321,619	230,996	21,828,418
Additions	5,500	1,750,775	72,528	141,900	7,900	1,978,603
Disposals/Write-off	–	(573,234)	(27,623)	(112,100)	(3,500)	(716,457)
At 31 December 2009	3,988,326	13,659,385	856,038	4,351,419	235,396	23,090,564
Additions	1,948,742	2,472,643	898,560	289,351	49,590	5,658,886
Disposals/Write-off	–	(1,980,535)	(15,267)	–	(11,800)	(2,007,602)
At 31 December 2010	5,937,068	14,151,493	1,739,331	4,640,770	273,186	26,741,848
Accumulated depreciation						
At 1 January 2009	696,598	5,114,536	284,768	2,407,424	136,017	8,639,343
Charge for the year	274,311	976,792	74,927	617,131	13,666	1,956,827
Disposals/Write-off	–	(470,420)	(23,525)	(112,100)	(3,500)	(609,545)
At 31 December 2009	970,909	5,620,908	336,170	2,912,455	146,183	9,986,625
Charge for the year	290,967	1,104,050	87,646	640,530	17,336	2,140,529
Disposals/Write-off	–	(869,163)	(11,215)	–	(11,650)	(892,028)
At 31 December 2010	1,261,876	5,855,795	412,601	3,552,985	151,869	11,235,126
Carrying amounts						
At 1 January 2009	3,286,228	7,367,308	526,365	1,914,195	94,979	13,189,075
At 31 December 2009	3,017,417	8,038,477	519,868	1,438,964	89,213	13,103,939
At 31 December 2010	4,675,192	8,295,698	1,326,730	1,087,785	121,317	15,506,722

Depreciation of and impairment loss on property, plant and equipment

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

Impairment losses would be made by the Group for property, plant and equipment whenever there is objective evidence that the assets are impaired.

4 Property, plant and equipment (Continued)

Leased plant and machinery

Machinery, tools and equipments of the Group and the Company with carrying amount of $nil (2009: $226,501) and $nil (2009: $226,501) are acquired under finance lease obligations, respectively.

Depreciation capitalised in contract work-in-progress

Depreciation of property, plant and equipment of the Group and the Company amounting to $10,921 (2009: $45,377) has been capitalised in contract work-in-progress.

Security

The leasehold property of the Group and the Company with carrying amount of $3,017,417 as at 31 December 2009 was mortgaged to a bank to secure banking facilities granted to the Group and the Company (Note 15).

5 Goodwill on consolidation – Group

The carrying values of the Group's goodwill on consolidation of a subsidiary was assessed for impairment for the financial year ended 31 December 2010. For the purpose of impairment testing.

Goodwill is allocated entirely 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:

- 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 for a two-year time horizon. Management believes that this forecast period was justified due to the short to medium-term nature of the projects.

- A post-tax discount rate of 4.6% was applied in determining the recoverable amount of the cash-generating unit. The discount rate used reflects specific risks relating to the relevant segment.

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.

6 Investment properties

	Group		Company	
	2010	2009	2010	2009
	$	$	$	$
At 1 January	1,130,000	1,033,200	830,000	733,200
Changes in fair value	90,000	96,800	90,000	96,800
At 31 December	1,220,000	1,130,000	920,000	830,000

As at 31 December 2010, 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 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 balance sheet 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
27A Jurong Port Road Blk 6 #01-12 Singapore 619101	30	Rental property

Security

At 31 December 2010, investment properties of the Group and Company with carrying amount of $740,000 and $440,000, respectively, were mortgaged to a bank to secure banking facilities granted to the Group and the Company (see Note 15).

7 Subsidiaries

	Company 2010 $	Company 2009 $
Unquoted equity investments, at cost	1,436,000	1,487,000

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity held by the Company 2010 %	Effective equity held by the Company 2009 %
OHM Engineering Pte Ltd[1]	Mechanical and electrical engineers	Singapore	100	100
Mun Siong Engineering Design & Construction Pte Ltd[2]	Engineering, procurement cum construction projects for oil, petroleum, petro-chemical, pharmaceutical products and related services	Singapore	–	51

[1] Audited by KPMG LLP.

[2] An audit was not required in 2009 as the subsidiary was inactive. It was placed under members' voluntary liquidation on 4 April 2010 and the liquidation was consolidated during the current financial year.

8 Associate

	Group		Company	
	2010	2009	2010	2009
	$	$	$	$
Investment in associate	–	200,000	–	200,000
Share of post-acquisition losses	–	(200,000)	–	–
	–	–	–	200,000
Less: Allowance for impairment loss	–	–	–	(200,000)
	–	–	–	–

Summary financial information for the associate, not adjusted for the percentage ownership held by the Group is set out below:

	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Revenue	Expenses	Profit/ (Loss)
	$	$	$	$	$	$	$	$	$
FY2009	–	–	–	291,717	–	291,717	–	–	–

Details of the associate are as follows:

Name of associate	Principal activities	Country of incorporation	Effective equity held by the Company	
			2010	2009
			%	%
SWI International Pte Ltd[1]	Investment holding	Singapore	–	20

[1] An audit was not required as the associate was inactive since 2006. The investment was sold for a nominal consideration of $1 on 16 April 2010.

9 Jointly controlled entity

	Group		Company	
	2010	2009	2010	2009
	$	$	$	$
Investment in joint venture	100,000	–	100,000	–

Summary financial information for the jointly controlled entity, adjusted for the percentage ownership held by the Group, is set out below:

	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Revenue	Expenses	Profit/ (Loss)
	$	$	$	$	$	$	$	$	$
FY2010	100,000	–	100,000	1,822	–	1,822	–	(1,822)	(1,822)

9 Jointly controlled entity (Continued)

Details of the jointly controlled entity are as follows:

Name of jointly controlled entity	Principal activities	Country of incorporation	Effective equity held by the Company 2010 %	Effective equity held by the Company 2009 %
Alliance Process Engineering & Construction Pte. Ltd.	Investment holding	Singapore	33	–

During the year, the Group, together with other companies, incorporated Alliance Process Engineering & Construction Pte. Ltd. The Group's contribution to set up the investment was $100,000 and resulted in the Group obtaining a 33% equity interest in the jointly controlled entity. This contribution represented start-up costs and as a result, no goodwill has arisen. The jointly controlled entity was inactive during the current financial year.

10 Inventories

	Note	Group 2010 $	Group 2009 $	Company 2010 $	Company 2009 $
Consumables		329,785	372,078	329,785	336,328
Contract work-in-progress	11	4,921,057	2,899,804	885,437	887,262
		5,205,842	3,271,882	1,215,222	1,223,590

In 2010, consumables and direct materials recognised as cost of sales amounted to $2,896,188 (2009: $3,909,534).

11 Construction work-in-progress

	Note	Group 2010 $	Group 2009 $	Company 2010 $	Company 2009 $
Cost incurred and attributable profits		19,379,454	61,259,048	1,202,438	55,075,051
Progress billings		(15,204,158)	(58,469,440)	(1,054,166)	(54,297,985)
		4,175,296	2,789,608	148,272	777,066
Comprising:					
Contract work-in-progress	10	4,921,057	2,899,804	885,437	887,262
Excess of progress billings over contract work-in-progress	17	(745,761)	(110,196)	(737,165)	(110,196)
		4,175,296	2,789,608	148,272	777,066

11 Construction work-in-progress (Continued)

The following expenses were capitalised in contract work-in-progress during the year:

		Group		Company	
	Note	**2010**	**2009**	**2010**	**2009**
		$	**$**	**$**	**$**
Depreciation of property, plant and equipment	4	10,921	45,377	10,921	45,377
Staff costs		194,250	231,254	194,250	156,807
		205,171	276,631	205,171	202,184

12 Trade and other receivables

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Trade receivables	12,113,509	10,600,145	10,353,849	9,150,299
Amount due from subsidiary (trade)	–	–	–	382,507
Deposits	386,575	352,993	358,795	296,823
Other receivables	433,445	116,751	327,493	65,577
Loan and receivables	12,933,529	11,069,889	11,040,137	9,895,206
Prepayments	201,617	294,129	187,384	283,005
	13,135,146	11,364,018	11,227,521	10,178,211

The Group's and the Company's exposure to credit and currency risks, and impairment losses related to trade receivables, are disclosed in note 25.

13 Cash and cash equivalents

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Cash at bank and on hand	22,120,601	4,654,991	20,976,712	1,430,941
Short-term fixed deposit	900,000	400,000	500,000	400,000
Cash and cash equivalents in the consolidated statement of cash flows	23,020,601	5,054,991	21,476,712	1,830,941

The Group's and the Company's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in note 25.

14 Share capital

	Ordinary shares	
	2010	**2009**
	No. of shares	**No. of shares**
At 1 January	4,916,000	4,524,000
Sub-division of shares	309,708,000[1]	4,524,000
Issuance of ordinary shares	107,000,000	392,000
At 31 December	416,708,000	4,916,000

[1] *Sub-division of shares*

On 5 October 2010, the shareholders passed a resolution to approve the sub-division of every one ordinary share in the share capital of the Company into 63 ordinary shares.

Issuance of ordinary shares

On 18 October 2010, 107,000,000 new ordinary shares were issued to the public at $0.20 per share pursuant to the Company's Initial Public Offering ("IPO"). All new ordinary shares were fully subscribed and paid.

On 3 February 2009, the Company proposed a rights issue to be offered on a renounceable basis to all shareholders of the Company at the issue price of $1.00 for each rights share, on the basis of one rights share for every ten existing ordinary shares held by the shareholders as at 7 January 2009.

A total of 392,000 rights shares had been subscribed by certain shareholders of the Company for a total consideration of $392,000.

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.

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 are 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 Loans and borrowings

	Group 2010 $	Group 2009 $	Company 2010 $	Company 2009 $
Non-current liabilities				
Unsecured bank loan	31,634	2,776,951	31,634	2,776,951
Finance lease liabilities	–	102,284	–	102,284
	31,634	2,879,235	31,634	2,879,235
Current liabilities				
Secured bank loan	–	778,521	–	778,521
Unsecured bank loan	1,091,188	977,086	1,091,188	977,086
Finance lease liabilities	–	74,445	–	74,445
	1,091,188	1,830,052	1,091,188	1,830,052
Total loans and borrowings	1,122,822	4,709,287	1,122,822	4,709,287

As at 31 December 2009, bank loan of $778,521 was secured by the following assets:

(a) legal mortgage over two of the Group's and the Company's investment properties (Note 6) with carrying values of $740,000 and $440,000, respectively;

(b) legal mortgage over a leasehold property (Note 4) with a carrying value of $3,017,417; and

(c) personal joint guarantees by the directors of the Company.

During the current financial year, the finance lease liabilities were fully repaid.

Finance lease liabilities

Finance lease liabilities were payable as follows:

	Future minimum lease payments 2010 $	Interest 2010 $	Principal 2010 $	Future minimum lease payments 2009 $	Interest 2009 $	Principal 2009 $
Group						
Within 1 year	–	–	–	81,888	7,443	74,445
Between 1 and 5 years	–	–	–	112,517	10,233	102,284
	–	–	–	194,405	17,676	176,729
Company						
Within 1 year	–	–	–	81,888	7,443	74,445
Between 1 and 5 years	–	–	–	112,517	10,233	102,284
	–	–	–	194,405	17,676	176,729

15 Loans and borrowings (Continued)

Terms and debt repayment schedule

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

Group	Currency	Nominal interest rate %	Year of maturity	Face value $	Carrying amount $
2010					
Unsecured bank loan	SGD	5.00%	2013	1,122,822	1,122,822
2009					
Unsecured bank loan	SGD	5.00%	2013	3,754,037	3,754,037
Secured bank loan	SGD	3.01%	2010	778,521	778,521
Finance lease liabilities	SGD	2.50%	2012	194,405	176,729
				4,726,963	4,709,287
Company					
2010					
Unsecured bank loan	SGD	5.00%	2013	1,122,822	1,122,822
				1,122,822	1,122,822
2009					
Unsecured bank loan	SGD	5.00%	2013	3,754,037	3,754,037
Secured bank loan	SGD	3.01%	2010	778,521	778,521
Finance lease liabilities	SGD	2.50%	2012	194,405	176,729
				4,726,963	4,709,287

The Group's and the Company's exposure to interest rate, currency and liquidity risks, and sensitivity analysis for financial assets and liabilities are disclosed in note 25.

16 Deferred tax liabilities

Movements in temporary differences during the year are as follows:

Group	At 1 January 2009 $	Recognised in profit or loss $	At 31 December 2009 $	Recognised in profit or loss $	At 31 December 2010 $
Property, plant and equipment	314,500	469,000	783,500	318,500	1,102,000
Company					
Property, plant and equipment	306,000	449,000	755,000	300,000	1,055,000

17 Trade and other payables

	Note	Group 2010 $	Group 2009 $	Company 2010 $	Company 2009 $
Trade payables		3,396,657	2,861,788	1,570,788	2,280,443
Amounts due to subsidiary					
– trade		–	–	717,433	–
– non-trade		–	–	400,000	–
Other payables and accruals		4,413,942	4,099,956	3,961,066	3,124,998
Provision		220,000	220,000	220,000	220,000
Dividend payable		–	5,000,000	–	5,000,000
Excess of progress billings over contract work-in-progress	11	745,761	110,196	737,165	110,196
		8,776,360	12,291,940	7,606,452	10,735,637

The non-trade amount due to subsidiary is unsecured and interest-free, and is repayable on demand.

The Group's and the Company's exposure to foreign currency and liquidity risks related to other payables are disclosed in note 25.

Provision

A provision of $220,000 was made in the financial year ended 31 December 2007 in respect of a fine which may be imposed by the Authority on the Company under the Workplace Safety and Health Act 2006 as a result of an industrial accident which occurred in that financial year.

18 Revenue

	Group 2010 $	Group 2009 $
Contract revenue	26,379,331	42,522,369
Rendering of services	35,974,637	25,205,765
	62,353,968	67,728,134

Revenue from 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 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.

19 Other income

	Group 2010 $	Group 2009 $
Gain/(Loss) on disposal of property, plant and equipment	308,418	(45,423)
Government grant – Jobs Credit Scheme	122,111	661,735
Rental income	253,535	391,345
Changes in fair value of investment properties	90,000	96,800
Interest income	25,350	676
Others	441,805	465,438
	1,241,219	1,570,571

20 Finance costs

	Group 2010 $	Group 2009 $
Recognised in profit or loss		
Interest expenses on loans and borrowings	115,512	363,832

21 Profit before income tax

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

	Group 2010 $	Group 2009 $
Non-audit fees paid to auditors of the Company	4,600	–
Staff costs	28,879,109	32,158,055
Contribution to defined contribution plans included in staff costs	972,629	875,461
Net foreign exchange loss	15,475	13,241
Depreciation of property, plant and equipment	2,271,698	1,982,065
Property, plant and equipment written off	37,693	30,248
Operating lease expenses	279,782	490,170
Operating expenses arising from rental of investment properties	18,534	15,962

22 Income tax expense

	Group 2010 $	Group 2009 $
Current tax expense		
Current year	1,790,000	1,254,000
(Over)/Under provided in prior years	(390,918)	14,077
	1,399,082	1,268,077
Deferred tax expense		
Origination of temporary differences	318,500	486,137
Reduction in tax rates	–	(17,137)
	318,500	469,000
Total income tax expense	1,717,582	1,737,077
Reconciliation of effective tax rate		
Profit before income tax	13,748,671	9,833,711
Income tax using the Singapore tax rate of 17% (2009: 17%)	2,337,274	1,671,731
Non-deductible expenses	26,213	136,712
Reduction in tax rates	–	(17,137)
Income not subject to tax	(168,252)	(68,306)
(Over)/Under provision in prior years	(390,918)	14,077
Others	(86,735)	–
	1,717,582	1,737,077

Estimating the provision for income taxes

Significant judgement is required in determining the deductibility of certain expenses in estimating the provision for income taxes.

23 Earnings per share

The calculation of basic earnings per share at 31 December 2010 was based on the profit attributable to ordinary shareholders of $12,031,089 (2009: $8,097,255), and weighted average number of ordinary shares outstanding of 332,280,603 (2009: 306,054,345), calculated as follows:

	Group	
	2010	**2009**
	$	**$**
Profit attributable to ordinary shareholders	12,031,089	8,097,255
	No. of shares	**No. of shares**
Weighted Average number of ordinary shares		
Issued ordinary shares at 1 January	4,916,000	4,524,000
Effect of sub-division of shares	309,708,000	301,138,345
Effect of shares issued	17,656,603	392,000
Weighted average number of ordinary shares at 31 December	332,280,603	306,054,345

At 31 December 2010, the basic and diluted earnings per share are same. There were no dilutive potential ordinary shares in existence for the financial years ended 31 December 2009 and 2010.

24 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 Chairman and Managing Director 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 and instrumentation : 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.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's Executive Chairman and Managing Director. 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.

24 Operating segments (Continued)

The segment information provided to the Group's Executive Chairman and Managing Director for the reportable segments for the year ended 31 December 2010 is as follows:

Business segments

	Mechanical	Electrical and instrumentation	Total
2010	**$**	**$**	**$**
External revenues	46,826,982	15,526,986	62,353,968
Inter-segment revenue	7,784	1,642,658	1,650,442
Total Revenue	46,834,766	17,169,644	64,004,410
Interest income	17,836	7,514	25,350
Interest expenses	115,455	57	115,512
Depreciation	2,174,983	96,714	2,271,697
Reportable segment profit before income tax	11,807,428	5,936,285	17,743,713
Reportable segment assets	50,446,177	9,231,368	59,677,545
Capital expenditure	5,658,884	53,974	5,712,858
Reportable segment liabilities	10,424,579	3,314,341	13,738,920
2009			
External revenues	58,412,563	9,315,571	67,728,134
Inter-segment revenue	108,265	–	108,265
Total Revenue	58,520,828	9,315,571	67,836,399
Interest income	676	–	676
Interest expenses	361,623	2,209	363,832
Depreciation	1,913,533	68,532	1,982,065
Reportable segment profit before income tax	7,152,415	2,682,563	9,834,978
Reportable segment assets	27,166,681	7,437,133	34,603,814
Capital expenditure	1,978,603	260,492	2,239,095
Reportable segment liabilities	17,132,411	2,509,910	19,642,321

24 Operating segments (Continued)

Business segments (Continued)

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

	2010 $	2009 $
Revenues		
Total revenues for reportable segments	64,004,410	67,836,399
Elimination of inter-segment revenue	(1,650,442)	(108,265)
Consolidated revenue	62,353,968	67,728,134
Profit or loss		
Total profit or loss for reportable segments	17,743,713	9,834,978
Elimination of inter-segment dividend income	(4,000,000)	–
Unallocated income/(expenses)	4,958	(1,267)
Consolidated profit before income tax	13,748,671	9,833,711
Assets		
Total assets for reportable segments	59,677,545	34,603,814
Other assets – Goodwill	1,001,330	1,001,330
Elimination of inter-segment assets	(1,117,433)	(382,507)
Other unallocated assets	–	90,680
Consolidated total assets	59,561,442	35,313,317
Liabilities		
Total liabilities for reportable segments	13,738,920	19,642,321
Elimination of inter-segment liabilities	(1,117,433)	(382,507)
Other unallocated liabilities	–	400
Consolidated total liabilities	12,621,487	19,260,214

Major customers

During the financial year ended 31 December 2010, revenue from three major customers of the Group totalled approximately $52,151,778 (2009: $53,643,249). 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:

	2010 $	2009 $
Customer 1	29,042,138	42,202,006
Customer 2	12,245,403	8,474,668
Customer 3	10,864,237	2,966,575
	52,151,778	53,643,249

25 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, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

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

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. In the financial year ended 31 December 2010, approximately 83.64% (2009: 79.20%) of the Group's revenue is attributable to sales transactions with 3 customers. The Group's most significant customer accounts for $5,721,337 (2009: $10,600,145) of the carrying value of trade receivables as at 31 December 2010.

Credit risk concentration profile

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

As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position. The carrying amounts of trade and other receivables and cash and cash equivalents represented the maximum exposure to credit risk in relation to its financial assets. The Group has no other financial assets which carry significant exposure to credit risk.

25 Financial risk management (Continued)

***Credit risk** (Continued)*

Management of credit risk

- 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.

- 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.

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

Impairment losses

The ageing of trade receivables, and impairment losses at the reporting dates can be analysed as:

Group	Gross 2010 $	Impairment losses 2010 $	Gross 2009 $	Impairment losses 2009 $
Not past due	10,311,013	–	10,066,304	–
Past due 0-30 days	1,681,179	–	473,277	–
Past due 31-60 days	86,696	–	54,057	–
More than 60 days	34,621	–	6,507	–
	12,113,509	–	10,600,145	–
Company				
Not past due	9,612,784	–	8,892,644	–
Past due 0-30 days	634,627	–	214,211	–
Past due 31-60 days	71,817	–	36,937	–
More than 60 days	34,621	–	6,507	–
	10,353,849	–	9,150,299	–

25 Financial risk management (Continued)

***Credit risk** (Continued)*

Impairment losses (Continued)

The Group evaluates whether there is any objective evidence that trade 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 trade 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 more than 60 days. 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 further credit provision required in excess of the allowance for doubtful debts.

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.

25 Financial risk management (Continued)

***Liquidity risk** (Continued)*

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

Group	Carrying amount $	Contractual cash flows $	Within 1 year $	Within 1 to 5 years $
31 December 2010				
Non-derivative financial liabilities				
Loans and borrowings	1,122,822	1,154,344	1,122,582	31,762
Trade and other payables*	7,810,599	7,810,599	7,810,599	–
	8,933,421	8,964,943	8,933,181	31,762
31 December 2009				
Non-derivative financial liabilities				
Loans and borrowings	4,709,287	5,077,646	1,993,670	3,083,976
Trade and other payables*	11,961,744	11,961,744	11,961,744	–
	16,671,031	17,039,390	13,955,414	3,083,976
Company				
31 December 2010				
Non-derivative financial liabilities				
Loans and borrowings	1,122,822	1,154,344	1,122,582	31,762
Trade and other payables*	6,649,287	6,649,287	6,649,287	–
	7,772,109	7,803,631	7,771,869	31,762
31 December 2009				
Non-derivative financial liabilities				
Loans and borrowings	4,709,287	5,077,646	1,993,670	3,083,976
Trade and other payables*	10,405,441	10,405,441	10,405,441	–
	15,114,728	15,483,087	12,399,111	3,083,976

* *Excludes excess of progress billings over contract work-in-progress and provision.*

25 Financial risk management (Continued)

Market risk

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

Currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	2010 United States dollars	2009 United States dollars
Group	**$**	**$**
Trade and other receivables	93,190	75,935
Cash and bank balances	100,918	327,028
Trade and other payables	(54,228)	–
Net exposure	139,880	402,963
Company		
Trade and other receivables	93,190	75,935
Cash and bank balances	98,001	323,854
Trade and other payables	(54,228)	–
Net exposure	136,963	399,789

Sensitivity analysis

A 10% strengthening of the Singapore dollar, as indicated below, against the United States dollar at 31 December would have increased (decreased) equity and 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 FY2009.

	Group Profit or loss $	Company Profit or loss $
31 December 2010		
United States dollars	(13,988)	(13,696)
31 December 2009		
United States dollars	(40,296)	(39,979)

25 Financial risk management (Continued)

***Market risk** (Continued)*

Sensitivity analysis (Continued)

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

Interest rate risk

Profile

At the reporting dates, the interest rate profile of the interest-bearing financial assets and financial liabilities was as follows:

	Carry amount	
	2010	**2009**
Group	**$**	**$**
Fixed rate instruments		
Finance lease liabilities	–	(176,729)
Unsecured bank loan	(1,122,822)	(3,754,037)
	(1,122,822)	(3,930,766)
Variable rate instruments		
Cash and cash equivalents	23,001,315	5,036,634
Secured bank loan	–	(778,521)
	23,001,315	4,258,113
Company		
Fixed rate instruments		
Finance lease liabilities	–	(176,729)
Unsecured bank loan	(1,122,822)	(3,754,037)
	(1,122,822)	(3,930,766)
Variable rate instruments		
Cash and cash equivalents	21,460,926	1,830,941
Secured bank loan	–	(778,521)
	21,460,926	1,052,420

25 Financial risk management (Continued)

Interest rate risk *(Continued)*

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.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss (accumulated profits) by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for FY2009.

	Group Profit or loss		Company Profit or loss	
	100 bp Increase	**100 bp Decrease**	**100 bp Increase**	**100 bp Decrease**
Group and Company	**$**	**$**	**$**	**$**
31 December 2010				
Variable rate instruments	230,013	(230,013)	214,609	(214,609)
31 December 2009				
Variable rate instruments	42,581	(42,581)	10,524	(10,524)

Fair values

Fair values versus carrying amounts

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2010 except as follows:

	Carrying amount 2010	**Fair value 2010**	**Carrying amount 2009**	**Fair value 2009**
Group	**$**	**$**	**$**	**$**
Liabilities carried at amortised cost				
Unsecured bank loan	1,122,822	1,092,000	3,754,037	3,614,000
Finance lease liabilities	–	–	176,729	186,276
Company				
Liabilities carried at amortised cost				
Unsecured bank loan	1,122,822	1,092,000	3,754,037	3,614,000
Finance lease liabilities	–	–	176,729	186,276

25 Financial risk management (Continued)

Fair values *(Continued)*

Interest rates used for determining fair value

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

	2010 %	2009 %
Unsecured bank loan	5.5	5.5
Finance lease liabilities	–	2.5

26 Related party transactions

For the purpose of this 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. Certain directors are subject to a mutual term of notice of termination of service of 6 months.

Key management personnel compensation included in staff costs comprised:

	Group	
	2010 $	2009 $
Short-term employee benefits	1,750,396	1,502,547

Other related party transactions

Other than as disclosed elsewhere in the financial statements, transactions carried out in the normal course of business on terms agreed with related parties are as follows:

	Group	
	2010 $	2009 $
Directors of the Company		
Interest-free advances from directors	–	32,000
Repayment of interest-free advances from directors	–	(32,000)

27 Commitments

Leases as lessee

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Within one year	336,874	276,412	332,356	271,904
Between one and five years	1,353,587	1,105,647	1,335,514	1,087,615
More than five years	1,360,952	1,852,085	1,342,291	1,824,474
	3,051,413	3,234,144	3,010,161	3,183,993

The Company 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 Company leases office equipment under operating leases for a term of 5 years for a fixed lease payment, with an option to renew the lease after that date.

Minimum lease receivables

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Within one year	64,904	26,154	25,184	25,184
Between one and five years	–	–	–	–
	64,904	26,154	25,184	25,184

The Group sub-let its factory and plant and equipment premises under non-cancellable operating lease, which expires in 2011.

Statistics of Shareholdings

As at 8 March 2011

Issued and fully paid	:	$24,528,000
Number of shares issued	:	416,708,000
Class of shares	:	Ordinary shares
Voting rights		
– On a show of hands	:	One vote for each member
– On a poll	:	One vote for each ordinary share held
Treasury Shares	:	Nil

Distribution of shareholdings

Size of shareholdings	No. of shareholders	%	No. of shares	%
1 – 999	0	0.00	0	0.00
1,000 – 10,000	590	41.90	2,678,000	0.64
10,001 – 1,000,000	800	56.82	66,368,000	15.93
1,000,001 AND ABOVE	18	1.28	347,662,000	83.43
Total	**1,408**	**100.00**	**416,708,000**	**100.00**

Twenty largest shareholders

No.	Name	No. of shares	%
1	CHENG WOEI FEN	199,084,000	47.78
2	QUEK CHIAU LIONG	36,540,000	8.77
3	QUEK KIAN TECK	23,940,000	5.75
4	QUEK KIAN HUI	23,940,000	5.75
5	GOH HENG CHEW	10,982,000	2.64
6	KIRPA RAM S/O ISHWAR DASS	10,420,000	2.50
7	SINGAPORE WAREHOUSE CO PTE LTD	9,400,000	2.26
8	GLOBAL TRADE INVESTMENT MANAGEMENT PTE LTD	7,550,000	1.81
9	LIN YAN	5,190,000	1.25
10	UOB KAY HIAN PTE LTD	4,346,000	1.04
11	DMG & PARTNERS SECURITIES PTE LTD	3,272,000	0.79
12	OCBC SECURITIES PRIVATE LTD	3,055,000	0.73
13	PHILLIP SECURITIES PTE LTD	2,707,000	0.65
14	KIM ENG SECURITIES PTE. LTD.	2,494,000	0.60
15	TAN HAI PENG MICHEAL	1,250,000	0.30
16	DBS NOMINEES PTE LTD	1,235,000	0.30
17	NG HIAN CHOW	1,230,000	0.30
18	CHEAH CHIOH LIAN BEATRICE	1,027,000	0.25
19	SAM CHEE KIONG	1,000,000	0.24
20	TAN THOO CHYE	900,000	0.22
	Total	**349,562,000**	**83.93**

Statistics of Shareholdings

As at 8 March 2011

Rule 723 Compliance

Based on the information available to the Company as at 8 March 2011, approximately 30.46% 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

Name of Shareholders	No. of shares Direct Interest	%	No. of shares Deemed Interest	%
CHENG WOEI FEN*	199,084,000	47.78	48,180,000	11.50
QUEK KIAN TECK*	23,940,000	5.75	23,940,000	5.75
QUEK KIAN HUI*	23,940,000	5.75	23,940,000	5.75
QUEK CHIAU LIONG	36,540,000	8.77	0.00	0.00

***Note:**

Quek Kian Teck and Quek Kian Hui are sibblings and are deemed to be interested in the shares held by each other. Deemed interest of Cheng Woei Fen derived from the interests held by her sons, Quek Kian Teck and Quek Kian Hui, and interest held by her spouse.

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 Monday, 18 April 2011 at 9.00 am, for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the audited financial statements for the financial year ended 31 December 2010 and the reports of the Directors and Auditors thereon. **[Resolution 1]**

2. To re-elect the following Directors retiring via rotation pursuant to Article 98 of the Articles of Association of the Company:
   (i) Mr Quek Chiau Liong **[Resolution 2(i)]**
   (ii) Mr Lin Yan **[Resolution 2(ii)]**
   (iii) Mr Tan Chee Meng *[See Explanatory Note 1]* **[Resolution 2(iii)]**

3. To declare a first and final dividend of 1.0 cent per ordinary share tax-exempt (one-tier) for the financial year ended 31 December 2010 ("FY2010") **[Resolution 3]**

4. To approve Directors' fees of S$23,750 for the financial year ended 31 December 2010 ("FY2010") for payment. **[Resolution 4]**

5. To approve Directors' fees of up to S$95,000 for the financial year ended 31 December 2011 ("FY2011") to be payable quarterly in arrears. **[Resolution 5]**

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

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

SPECIAL BUSINESS

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

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

   "That, pursuant to Section 161 of the Companies Act, Cap. 50 and the rules, guidelines and measures issued by the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:

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

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares; and

   (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalization issues, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

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

provided that:

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

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

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

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

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

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

(4) (unless revoked or varied by the Company in General Meeting), the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.” [See Explanatory Note 2]

By Order of the Board

Seah Hai Yang
Company Secretary
Singapore, 01 April 2011

Notice Of Annual General Meeting

Explanatory Notes:

1 Mr Tan Chee Meng, if re-elected, will be considered an independent non-executive director and will remain as the Chairman of the Remuneration Nominating Committee and a member of both the Audit and the Nominating Committees.

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

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

Notes:

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

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

(c) 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 Annual General Meeting.

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

Proxy Form

IMPORTANT

1. For investors who have used their CPF monies to buy the Company's shares, this **Annual Report** is forwarded to them at the request of their CPF approved nominees and is sent solely FOR INFORMATION ONLY.
2. This proxy form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Annual General Meeting as OBSERVERS have to submit their requests through their respective Agent banks so that their Agent banks may register with the Company Secretary of Mun Siong Engineering Limited.

I/We, ____________________________ NRIC/Passport No. ____________________

of ____ (Address)

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

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

and/or (delete as appropriate)

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

or failing *him/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 of the Company to be held at 35 Tuas Road, Jurong Town, Singapore 638496 on Monday, 18 April 2011 at 9.00 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 Annual General Meeting indicated hereunder. If no specific directions as to voting are given, the proxy/proxies may vote or abstain from voting at his/their discretion, as he/they will on any other matters arising at the Annual General 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/they may think fit.

No.	Description of Resolutions	For	Against
1	Adoption of audited financial statements for the financial year ended 31 December 2010		
2(i)	Re-election of Mr Quek Chiau Liong as Director		
2(ii)	Re-election of Mr Lin Yan as Director		
2(iii)	Re-election of Mr Tan Chee Meng as Director		
3	Declaration of First and Final Dividends		
4	Approval of Directors' fees for FY2010		
5	Approval of Directors' fees for FY2011		
6	Re-appointment of Messrs KPMG LLP as Auditors		
7	Authority to allot and issue shares and convertible securities		

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 ________________ 2011

Total Number of Shares Held

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

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 130A of the Companies Act, Cap. 50), 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 entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
3. 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.
4. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
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 48 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.
9. A Depositor shall not be regarded as a member of the Company entitled to attend the meeting of the Company and to speak and vote thereat unless his name appears on the Depository Register 48 hours before the time set for the aforesaid meeting.

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stamp here

MUN SIONG ENGINEERING LIMITED
35 TUAS ROAD
JURONG TOWN
SINGAPORE 638496

Corporate Information

BOARD OF DIRECTORS

Cheng Woei Fen
(Executive Chairman and Director)

Quek Chiau Liong
(Managing Director)

Lin Yan
(Executive Director)

Lim Choon Wah
(Executive Director)

Gan Lai Chiang
(Lead Independent Director, Non-Executive)

Tan Chee Meng
(Independent Director, Non-Executive)

Peter Sim Swee Yam
(Independent Director, Non-Executive)

AUDIT COMMITTEE

Gan Lai Chiang
Tan Chee Meng
Peter Sim Swee Yam

REMUNERATION COMMITTEE

Tan Chee Meng
Peter Sim Swee Yam
Gan Lai Chiang

NOMINATION COMMITTEE

Peter Sim Swee Yam
Gan Lai Chiang
Tan Chee Meng

CORPORATE SECRETARY

Seah Hai Yang, FCPA

REGISTERED OFFICE

35 Tuas Road
Jurong Town
Singapore 638496

SHARE 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
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AUDITORS

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Public Accountants and
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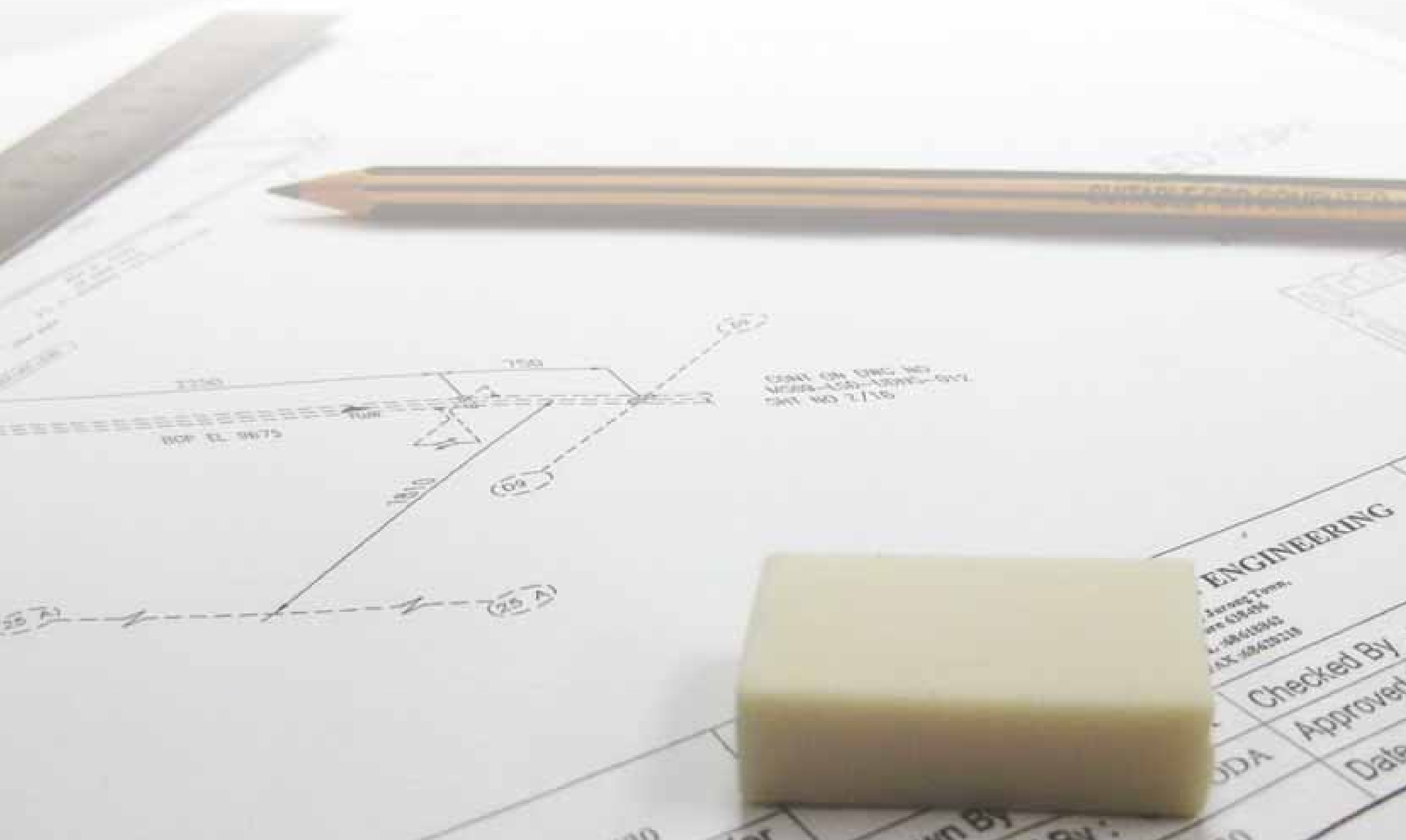

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