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MUN SIONG ENGINEERING LIMITED

Annual Report 2011

Our Vision

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

Our Mission

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

Core Values

Customer Focus
To achieve total customer satisfaction by flawlessly delivering customer wants.

Safety
To put the safety of our staff above all.

Quality
To strive for continuous quality improvement in all that we do.

Leadership
To be a world-class leader in every aspect of our business.

Teamwork
To encourage cooperative efforts at every level and across all activities in our company.

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Corporate Profile

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

Mun Siong Engineering Limited ("Mun Siong" or "Group") is one of Singapore's leading integrated maintenance service providers in the process industries. Established in 1969, Mun Siong offers a comprehensive range of mechanical, electrical and instrumentation services.

Mun Siong's dedication in safety, quality and competitive solutions has earned us the reputation as a reliable and progressive company, distinguished by our sound corporate governance, commitment to business continuity and corporate social responsibility. Together with our more than 42 years of track records and business relationship, our broad experience in managing service contracts have allowed us to expand our customer base to Taiwan, India, Vietnam and the Middle East. Mun Siong has expanded its business through the acquisition of OHM Engineering Pte Ltd in year 2000 to provide electrical and instrumentation work and Wing Wah Industrial Services Pte Ltd in 2011 to enhance our mechanical capability in rotating equipment services. Mun Siong was listed on the Singapore Exchange in October 2010. The Group's effort to establish global presence takes off further with the incorporation of Alliance Process Engineering & Construction (Vietnam) Co. Ltd and the establishment of Joint Ventures in the Kingdom of Saudi Arabia and Vietnam respectively.

Core Business Segments

Our Main Business Activities:

Term maintenance service providers for Oil and Gas and Pharmaceutical plants
Minor shutdowns and Major Turnarounds
Specialised Engineering Services
Revamps and Debottlenecking projects
New and existing Plant Construction projects

BUSINESS SEGMENTS

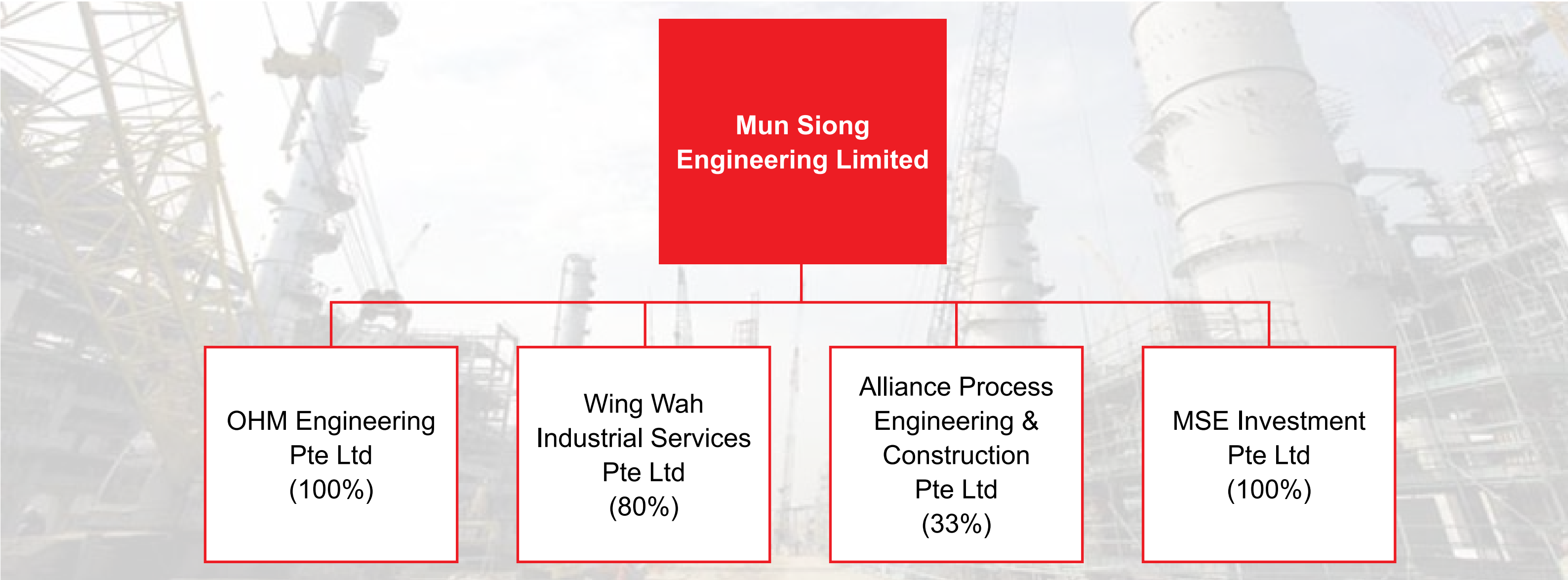
Mechanical Engineering Segment

- Fabrication and erection of steel structures/ fixed equipment/skids
- Pre-assembled modules (PAM)
- Prefabrication and installation of piping works
- Platform and construction of storage tanks
- Construction and commissioning of plants
- Exchanger re-tubing
- Tube Shooting Services for heat exchanger
- On-site flange re-facing
- Catalyst works (change-out/ex-situ regeneration/sampling/acquisition)
- Ultra-High Pressure Abrasives Water-Jet Cutting Services
- High-Torque Rotary Drilling Services
- Mechanical De-coking of Heaters
- Servicing, repairing and overhauling of rotating equipment
- Retrofitting and modification of rotating equipment
- Dynamic balancing of rotating equipment

Electrical & Instrumentation Segment

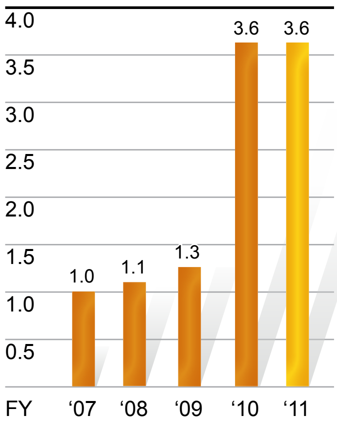
- Projects, Routine Maintenance and Major Turnarounds
- Transformers, Switchgears and control panel installation and maintenance
- Electrical and Instrumentation installation and maintenance
- Calibration and Testing of Instruments
- Loop Check, Testing and Pre-commissioning
- Excavation and Cable laying
- Production skids
- Design and Fabrication of Instrumentation and control systems
- DCS installation

Group Structure

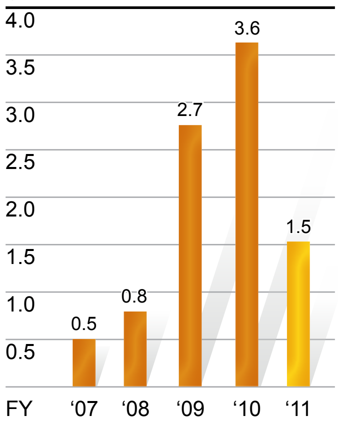


Financial Highlights

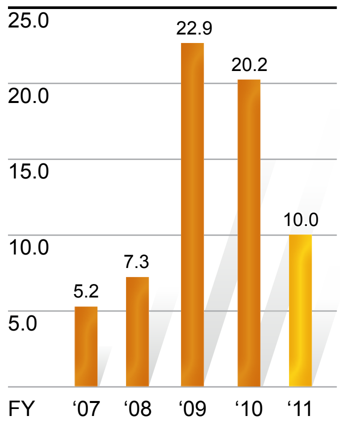
Current ratio



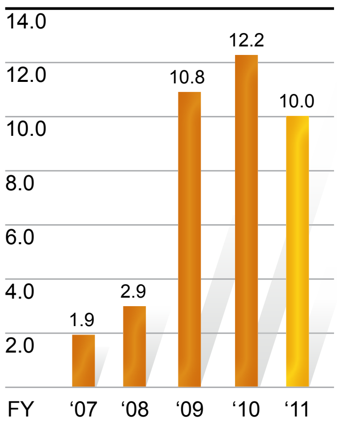
Earning per share
¢



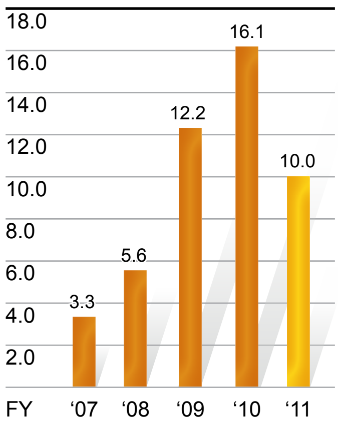
Return on assets
%



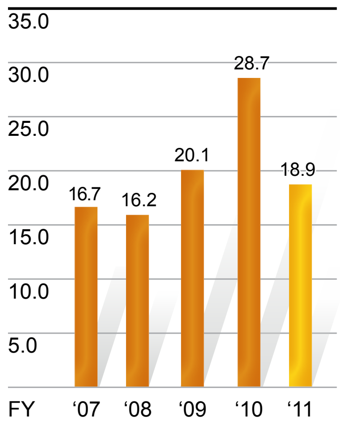
Operating cash flow
S$ *million*



EBITA
S$ *million*



GP Margin
%



Executive Chairman's Statement

"Our Group revenue increased from S$62.4 million in FY2010 to S$66.4 million in FY2011, despite the intense competition and rises in operating expenses that the Group faced for FY2011."

Cheng Woei Fen
Executive Chairman

Sustained Growth

On behalf of the Board of Directors, I am pleased to present the Annual Report of Mun Siong Engineering Limited and its Group of companies for the financial year ended 31 December 2011.

FY2011 has been a very challenging year to the Group with the cyclical exposure brought about by the swings in the global economy. Nevertheless, we achieved revenue growth despite all the difficulties. The Group's focus on recurring revenue has paid off in 2011. Revenue rose 6.5% YoY.

Amid the turmoil of the global financial crisis, we realised the challenge and importance in building a healthy balance sheet. Cash balance for the year ended at S$23.4 million and borrowing has come down to S$0.7 million. We believe that such a position should see us through the difficult times and allow the Group to grow when opportunities arise.

In February 2012, we have announced an order book of S$29.6 million in addition to the Group's maintenance term contracts. This is the highest order book we have announced since our IPO in 2010 and it's a testimony to our determination to grow the business.

Widening our Business Portfolio

Mun Siong's growth strategy is to diversify revenue streams across its complimentary services and adjacent industries. The Group has acquired Wing Wah Industrial Services Pte Ltd, a rotating equipment service provider in July, to supplement the Group's existing mechanical piping and static equipment segment addition to the current electrical and instrumentation segment. We expect the subsidiaries to extend the Group's customer base and widen the range of services into related fields to broader customer base.

Although the world economy is in a precarious state, we do not think that the odd of another recession is high. The Group will continue to explore viable overseas business opportunities. However, with the emerging economies also experienced slowdowns, our business expansion to overseas markets have been cautious and disciplined.

Executive Chairman's Statement

Corporate Development

During our financial year ended 31 December 2011, Mun Siong has successfully completed our SS540:2008 BCM and BS25999 Business Continuity certification. This will provide us with a management framework for building resilience and the capabilities that safe guide the interests of the shareholders.

Prudent Investment

The prospects of the Group for FY2012 are expected to remain challenging with the global economy hit recently by a loss of confidence. However, in FY2011, invested S$2.6 million into acquisition of new property, plant and equipment to both upgrade and replace old equipment of the Group.

Propelling our growth plan are our people, who are our most valuable asset. We actively engage them through effective training to help them to explore and realise their full potential, so that they can perform their jobs with greater effectiveness and satisfaction. By investing in people development upon a proven business framework, we will enhance our expertise and experience in delivering sustainable growth for the Group in the years ahead.

Financial Results

Given our robust balance sheet, we are positioned to continue to grow our business while exercising prudence and caution in cost and productivity management. Financially, the Group's balance sheet remains strong with a net gearing ratio of 0.01. In addition to the low gearing, the Group also has quick and current ratios of 3.3 and 3.6 respectively. This strong liquidity position will provide the Group with more than sufficient operating cash flow for the next 12 months.

Our Group Revenue has increased from S$62.4 million in FY2010 to S$66.4 million in FY2011. In spite of the decrease in project works in the beginning of the FY2011, it was partially offset by the increase in term maintenance contracts.

Group Profit after Income Tax was S$6.4 million in FY2011 compared to S$12.0 million in FY2010. It is approximately 46.7 per cent decrease compared to FY 2010. This was mainly due to lower gross margin as well as increased in direct operating costs.

Dividends

The Board has recommended a first and final dividend of 0.6 cents per share for FY2011. If this is approved by Shareholders at our Annual General Meeting on 9 April 2012, it will be paid out on 16 May 2012. This translates to a dividend payout of 39.7% of profit attributable to shareholders of the Company.

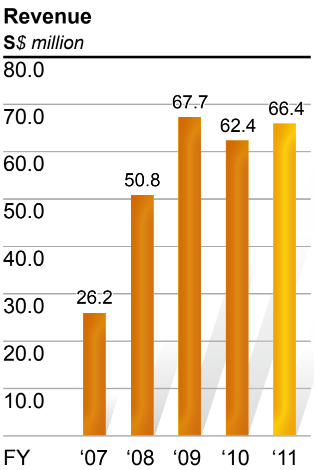
Words of Appreciation

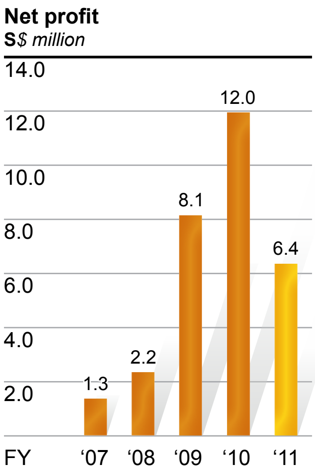
On behalf of the Board, I would like to thank our valued customers, suppliers and business associates for their support and partnership. I would also like to thank our management and staff for their tirelessly efforts and passion in unity to steer the Group through a challenging year.

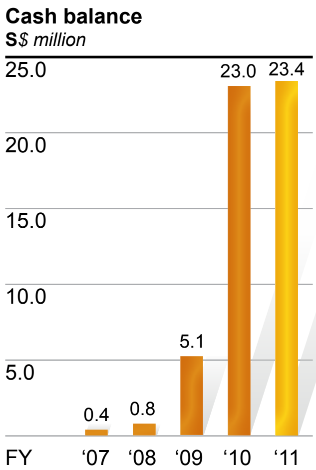
As Chairman of the Board, I am also grateful to my fellow Board members whose wise counsel to management has proven invaluable in steering the Group forward.

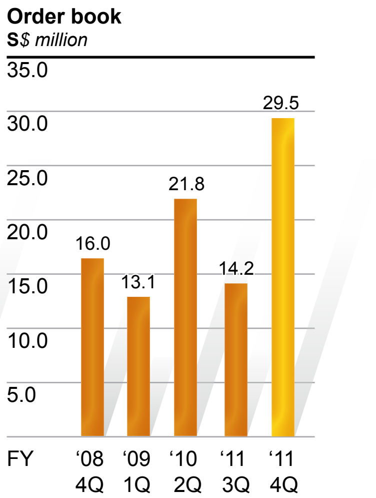
To our shareholders, we thank you for your confidence and trust. We look forward to your continual support as we journey together our next phase of growth.

Cheng Woei Fen
Executive Chairman









Managing Director's Statement

"For FY2010/2011, the Group has turned in a healthy set of results, registering revenue of S$66.4 million with a growth of 6.5% percent as compared to FY2010. The Group will continue to focus on growing our valuable asset, being our PEOPLE. To engage them through effective training, to help them explore and realise their full potential, which will propel the group to sustainable growth in the years ahead."

Quek Chiau Liong
Managing Director

Dear Shareholders,

It is my pleasure to present a review of Mun Siong Group's financial performance for the financial year ended 31 December 2011 ("FY 2011").

Despite the challenging operating environment in FY2011, we are still able to maintain a healthy and strong balance sheet. Through the relentless effort of all our colleagues, we remained focus in executing the projects well and on time, improving our productivity through adapting best industry practices and maintaining high workplace safety standards.

Financial Performance

In FY2011, the Group turned in a healthy set of results, achieving revenue of S$66.4 million, with a growth of 6.5 percent as compared to FY2010 despite the challenging operating environment.

Our businesses generated a net cash contribution of S$10.0 million. The Group's net profit declined to S$6.4 million by 46.7 percent as compared to the previous year was mainly due to the rising costs and pricing pressure from competitors. At the end of FY2011, the Group's cash and cash equivalents stood healthily at S$23.4 million compared to S$23.0 million of FY2010.

Business Review

Facing a highly competitive business environment in FY2011, the Group started to put into place strategies that would help to enhance its strong overall market position. While continuing to maintain

Managing Director's Statement

strong ties with our long standing customers, we have been securing new projects and expanding our service offerings which formed a sound synergy with our core businesses. The Group's strategy to grow its geographical presence and to continually strengthen its capabilities and service offerings, were further boosted with the recent initiatives undertaken.

With the successful acquisition of an 80% stake in Wing Wah Industrial Services Pte Ltd in FY2011, the Group has further enhanced its existing capabilities in providing value-added services including overhauling, repairing and retrofitting of rotating equipment.

In the second half of FY2011, the Group's management system was certified with SS540:2008 BCM and BS25999. It has taken efforts in building up its resilience and capabilities that safeguard the interests of the shareholders.

Mun Siong has also earned prestigious WSH Performance Silver Award and Sharp Award from the WSH Council, which serves as a testimony to the Group's commitment towards achieving excellence in workplace safety and health practices.

Looking Ahead

The concerns over the sustainability of the economic recovery could be further thrown off course by the economic uncertainties, rising inflation and volatility of foreign currencies attributed by the sovereign debt crisis in Europe and United States. However, the Group will remain focused in our commitment to maintain our track record of sustainable growth by enhancing workforce safety and service excellence; seeking overseas business opportunities, and to improve productivity.

One of the core focuses of the Group is its people. To remain committed in becoming the preferred EPC contractor, the Group must continue to distinguish in the areas of productivity, service and safety. We place strong emphasis on the welfare and safety of our workforce and proactively invest in them to harness their full potential and nurture our next generation of leaders.

The way ahead remains challenging; we must continue to be vigilant and proactive. Through focused and disciplined execution of our strategies, supported by a highly productive workforce that is ready to embrace change, the Group is confident we can face the challenges ahead, taking off to capture new opportunities to grow and develop our businesses in the coming new financial year.

In Appreciation

I would like to express my heartfelt appreciation to my fellow Directors for their commitment to the Group. Their active participation and support have strengthened Board decision-making and provided insightful leadership for the Group.

To our shareholders, I thank you for your confidence in the Group. Delivering sustainable shareholder value remains paramount to the development and execution of the Group's strategies. My warm appreciation goes to all our customers and business partners for their invaluable support and unwavering confidence in the Group over the years.

To our management and staff, I thank you for your tireless dedication and continuous support contributed to another successful year for us.

I am confident that with our continued efforts, we will be able to produce commendable results for the year ahead. I urge of all of us to continue being proactive in moving the company forward with our mighty hearts and souls, as a people fuelled by a purposeful driven passion.

Vincent Quek Chiau Liong
Managing Director

Board of Directors

1. **Cheng Woei Fen**
Executive Chairman

Ms. Cheng was first appointed to the Board in October 1981. She spearheaded the acquisitions of the Group's subsidiaries and is responsible for the overall business strategy and management of the Group's businesses. She also oversees the human resource, finance and the corporate services divisions of our Group. Through her leadership, the Group has grown into a leading integrated service provider for the local oil and gas and petrochemical industries.

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

2. **Quek Chiau Liong**
Managing Director

Mr. Quek was appointed Managing Director of Mun Siong Engineering in April 2007. 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 subsidiaries OHM Engineering Pte Ltd, Wing Wah Industrial Services Pte Ltd and MSE Investment Pte Ltd.

3. **Lin Yan**
Executive Director

Mr. Lin was appointed to the Board in February 2009. He 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.

4. **Lim Choon Wah**
Executive Director

Mr. Lim was appointed to the Board in October 2009. He is responsible for the business development and management of our Mechanical Engineering segment. He oversees the Operations, Projects and Turnaround divisions.

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.

5. **Gan Lai Chiang**
Non-Executive Director

Mr. Gan was appointed as our Director in October 2010. He is also 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 headquarters in Switzerland. 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.

6. **Peter Sim Swee Yam**
Non-Executive Director

Mr. Sim was appointed as our Director in October 2010. He is also 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.

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.

7. **Tan Chee Meng**
Non-Executive Director

Mr. Tan was appointed as our Director in October 2011. He is also 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.

Corporate Governance

INTRODUCTION

The Board of Directors (the "Board") is committed to ensuring that the highest standards of corporate governance are practiced throughout Mun Siong Engineering Limited (the "Company") and its subsidiaries (the "Group"), as a fundamental part of its responsibilities to protect and enhance 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 2011.

(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 the Management to achieve this and the Management remains accountable to the Board.

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

- 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;
- Setting the Group's values and standards, and ensuring that obligations to shareholders and others are understood and met; and
- Review and endorse corporate policies in keeping up with good corporate governance and business practice.

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.

(A) BOARD MATTERS (Continued)

Board's Conduct of its Affairs (Continued)

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.

The number of Board and Board Committee meetings held in the current financial year and the attendance of directors during these meetings 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	4	4	NA	6	6#	NA	2	2#	-	2	2#
Quek Chiau Liong	M	4	4	NA	6	4#	NA	2	-	-	2	-
Lin Yan	M	4	3	NA	6	3#	NA	2	-	-	2	-
Lim Choon Wah	M	4	3	NA	6	3#	NA	2	-	-	2	-
Non-executive director												
Gan Lai Chiang	M	4	4	C	6	6	M	2	2	M	2	2
Peter Sim Swee Yam	M	4	3	M	6	5	C	2	2	M	2	2
Tan Chee Meng	M	4	2	M	6	4	M	2	2	C	2	2

By invitation

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, its strategic direction and corporate governance practices. To keep pace with new laws, regulations, changing commercial risks and accounting standards, all directors are encouraged to attend, at the Group's expense, relevant and useful seminars for their continuing education and skills improvement courses that are conducted by external organisations so as to enable them to properly discharge their duties as Board members. The Company Secretary will bring to directors' attention, information on seminars that may be of relevance or use to them.

(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 the 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 the Management. The list of directors is as follows:

Name	Board membership	Date of first appointment	Date of last re-election as Director
Cheng Woei Fen	Executive Chairman	31 October 1981	NA
Quek Chiau Liong	Executive Director and Managing Director	28 June 1993	18 April 2010
Gan Lai Chiang	Non-executive and Independent Director	11 October 2010	NA
Peter Sim Swee Yam	Non-executive and Independent Director	11 October 2010	NA
Tan Chee Meng	Non-executive and Independent Director	11 October 2010	18 April 2010
Lin Yan	Executive Director	13 February 2009	18 April 2010
Lim Choon Wah	Executive Director	1 October 2009	NA

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, business and management, finance and legal relevant to the Group and its industry. A brief description of the background of each director is presented in the "Board of Directors" section of this annual report.

The Board reviews the size and composition of the Board on an annual basis to ensure that both aspects continue to meet the needs of the Group. The Nominating Committee determines the independence of each Director annually based on the definitions and guidelines of independence set out in the 2005 Code and is of the view that the present Board size and composition is appropriate for the current scope and nature of the Group's operations. In line with the proposed changes to the 2005 Code, the Nominating Committee is also of the view that its current size is not too large to be unwieldy, or as would interfere with efficient decision making. 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 appropriate balance and diversity of skills and experience 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.

(A) BOARD MATTERS (Continued)

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

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 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 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 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 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 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 Chairman works to facilitate the effective contribution of non-executive directors. The foregoing responsibilities of the Chairman are included in the above mentioned 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 held two meetings during the financial year. The Chairman of the Nomination Committee is neither a substantial shareholder of the Company nor directly associated with a substantial shareholder of the Company. All members of the Nomination Committee are independent.

(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 may be 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 definitions and guidelines of independence set out in the 2005 Code including the circumstances set forth in Guideline 2.1 and any other salient factors. Following its annual review, the Nomination Committee has endorsed the independent status of the independent non-executive directors as reflected in the table above.

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 other 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 Board composition, Board processes, managing the Company's performance and the effectiveness of the Board in its monitoring role. The questionnaire is completed by each director individually. The completed qualitative assessment questionnaires are collated for the Nomination Committee's discussion. The results, conclusions and recommendations 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 assessments of the Board and the directors are carried out annually. Following the review of the assessment of the Board and its committees, as well as of each director, the Board is of the view that the Board and its Committees have operated effectively and each director has contributed to the overall effectiveness of the Board.

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. The Board papers include, among others, the following documents and details:

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

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

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

The Board has also approved a procedure for directors, whether as a full Board or in their individual capacity, to take independent professional advice, where necessary in the furtherance of their duties, at the Group's expense.

(A) BOARD MATTERS (Continued)

Access to information (Continued)

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

- Reviewing and recommending to the Board for endorsement, a framework 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.

(B) REMUNERATION MATTERS (Continued)

Remuneration Committee (Continued)

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 is 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 fixed component, variable component and benefits. The Company subscribes to linking executive remuneration to corporate and individual performance, based on an annual appraisal of employees and using indicators such as core values, competencies, key result areas, performance rating, and potential of the employees.

(a) Fixed Component

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

(b) Variable Component

This component comprises variable bonus based on the Group's and the individual's performance, as well as monthly variable component of the basic salary. To link rewards to performance, the more senior the executive is in the Group, the higher is the percentage of the variable component against total compensation. A comprehensive and structured assessment of the performance of 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.

(B) REMUNERATION MATTERS (Continued)

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, corporate and individual performance.

	Salary	Variable Bonus	Director's Fees	Benefits	Total
	%	%	%	%	%
Executive directors					
Above $500,000 but below $750,000					
Cheng Woei Fen	48.3	31.2	-	20.5	100.0
Above $250,000 but below $500,000					
Quek Chiau Liong	43.6	33.2	-	23.2	100.0
Lin Yan	51.1	25.6	-	23.3	100.0
Lim Choon Wah	53.9	25.9	-	20.2	100.0
Below $250,000					
Gan Lai Chiang	-	-	100.0	-	100.0
Peter Sim Swee Yam	-	-	100.0	-	100.0
Tan Chee Meng	-	-	100.0	-	100.0
Executive officers					
Below $250,000					
Kwok Wah Cheong	78.0	15.4	-	6.6	100.0
Tan Kim Liang, Alex	88.3	-	-	11.7	100.0
Lim Boon Kiang	88.3	9.3	-	2.4	100.0
Chong Siew Lian	89.6	6.4	-	4.0	100.0
Wei Qian	81.5	12.1	-	6.4	100.0

There is no employee who is related to a Director whose remuneration exceeds $250,000 in the Group for the financial year under review. The aggregate remuneration of employees who are immediate family members of a Director or key executive was approximately $78,000 for the financial year. There is no employee who is an immediate family member of any Director or key executive whose remuneration exceeds $150,000 for the financial year under review.

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

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 six meetings during the financial year. Some of the meetings were attended by the Executive Directors, the Chief Financial Officer and the Financial Controller at the invitation of the Audit Committee. The Group's external auditors 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 and sits on the Board of another SGX-listed company. Mr Sim has relevant experience from his involvement in the various committees of the SGX-listed companies that he held directorships as well as management experience from his own law practice. 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 auditors;

(C) ACCOUNTABILITY AND AUDIT (Continued)

Audit Committee (Continued)

- Reviewing the nature and extent of the external auditors' non-audit services to the Group as well as the extent of reliance placed by the external auditors on the internal auditor's work, seeking to balance the maintenance of objectivity and value for money;
- 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, auditors' 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 objectively of the external auditors. In the course of its review, the Audit Committee also met with the external auditors without the presence of the Management to discuss the reasonableness of the financial reporting process, the system of internal control, and the significant comments and recommendations by the auditors.

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. Nexia TS Risk Advisory Pte. Ltd. is the Internal Auditor for the Group. 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 auditors and work performed on key internal controls by the external auditors, and reviews performed by management, various Board Committees and the Board, the Audit Committee and the Board are of the opinion that the Group's internal controls are adequate to address the financial, operational and compliance risks.

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.

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

Adequacy of internal controls

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

Based on the reports submitted by the external and internal auditors and the various management controls put in place, the Board, with the concurrence of the audit committee, is satisfied that the framework of internal controls is adequate to provide reasonable assurance of the integrity, effectiveness and efficiency of the Company in safeguarding its assets and maintaining proper accounting records and reliable financial statements.

Whistle blowing programme

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

Auditors' independence

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

(C) ACCOUNTABILITY AND AUDIT (Continued)

Auditors' independence (Continued)

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

	Audit fee	Non-audit fee
	$	$
Fee paid to external auditors	112,000	9,700

Compliance with SGX Mainboard Rule 712 and Rule 716

The Audit Committee is satisfied that the Group has complied with Rules 712 and Rule 716 of the SGX Mainboard Rules in relation to its auditing firms.

Interested Person Transactions

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

There are no interested person transactions during the financial year.

Material Contracts

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

(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 an investor relations team which attends to their queries or concerns.

The investor relations team also manages the dissemination of corporate information to the media, public, institutional investors and public shareholders, and acts as a liaison point for such entities and parties. Shareholders can make use of 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.

(D) COMMUNICATION WITH SHAREHOLDERS (Continued)

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

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.

STATEMENT OF COMPLIANCE

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

Corporate Governance

UTILISATION OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The proceeds from the Company's Initial Public Offering, after deduction of listing expenses of approximately $2.5 million was approximately $18.9 million. As at the date of this report, the Company has utilized its proceeds as follows:

Purpose	Amount raised	Amount utilised	Balance amount
	$'000	$'000	$'000
To establish a regional presence	4,000	168	3,832
To establish an engineering design centre and upgrading of existing database management system	1,000	267	733
Widening the range of services available to our customers	12,500	2,857	9,643
Working capital	1,400	1,400	-
Total	18,900	4,692	14,208

Directors' Report

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 2011.

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
Gan Lai Chiang
Peter Sim Swee Yam

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 subsidiaries) are as follows:

	Direct interests		**Deemed interests**	
Name of director and corporation in which interests are held	Holding at beginning of the year	Holding at end of the year	Holding at beginning of the year	Holding at end of the year
The Company				
Ordinary shares				
Cheng Woei Fen	198,954,000	199,284,000	47,880,000	48,280,000
Quek Chiau Liong	36,540,000	36,540,000	-	-
Lin Yan	5,190,000	5,190,000	-	-
Lim Choon Wah	500,000	500,000	-	-
Gan Lai Chiang	100,000	100,000	-	-
Tan Chee Meng	100,000	100,000	-	-
Peter Sim Swee Yam	100,000	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 at the end of the financial year.

There were no changes in any of the abovementioned interest in the Company between the end of the financial year and 21 January 2012.

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 27 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 subsidiaries 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 Yam, 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 six meetings since the last directors' report. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also 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 quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and

- Reviewed transactions falling within the scope of Chapter 9 of the SGX Listing Manual (if any).

Directors' Report

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.

In appointing our auditors for the Company, subsidiaries and significant associated companies, we have complied with Rules 712, 715 and 716 of the SGX Listing Manual.

Auditors

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

On behalf of the Board of Directors

Cheng Woei Fen
Director

Quek Chiau Liong
Director

16 March 2012

Statement By Directors

In our opinion:

(a) the financial statements set out on pages 30 to 75 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 2011 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

16 March 2012

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 2011, 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 30 to 75.

Management's responsibility for the financial statements

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

Members of the Company
Mun Siong Engineering Limited and its subsidiaries

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 2011 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
16 March 2012

Statements of Financial Position

As at 31 December 2011

	Note	Group 2011 $	Group 2010 $	Company 2011 $	Company 2010 $
Assets					
Property, plant and equipment	4	15,816,029	15,833,523	15,370,122	15,506,722
Goodwill on consolidation	5	1,635,980	1,001,330	-	-
Investment properties	6	3,080,000	1,220,000	960,000	920,000
Subsidiaries	7	-	-	3,446,000	1,436,000
Jointly controlled entity	8	11,174	100,000	100,000	100,000
Total non-current assets		20,543,183	18,154,853	19,876,122	17,962,722
Inventories	9	1,806,902	5,250,842	1,629,950	1,215,222
Trade and other receivables	11	17,144,204	13,135,146	14,043,595	11,227,521
Cash and cash equivalents	12	23,405,962	23,020,601	16,220,292	21,476,712
Total current assets		42,357,068	41,406,589	31,893,837	33,919,455
Total assets		62,900,251	59,561,442	51,769,959	51,882,177
Equity					
Share capital	13	24,528,000	24,528,000	24,528,000	24,528,000
Retained earnings		24,571,298	22,411,955	15,387,173	16,929,598
Total equity attributable to owners of the Company		49,099,298	46,939,955	39,915,173	41,457,598
Non-controlling interests		453,008	-	-	-
Total equity		49,552,306	46,939,955	39,915,173	41,457,598
Liabilities					
Loans and borrowings	14	84,795	31,634	-	31,634
Deferred tax liabilities	15	1,465,686	1,102,000	1,430,000	1,055,000
Total non-current liabilities		1,550,481	1,133,634	1,430,000	1,086,634
Trade and other payables	16	10,531,047	8,776,360	10,384,922	7,606,452
Loans and borrowings	14	624,910	1,091,188	31,578	1,091,188
Current tax payable		641,507	1,620,305	8,286	640,305
Total current liabilities		11,797,464	11,487,853	10,424,786	9,337,945
Total liabilities		13,347,945	12,621,487	11,864,786	10,424,579
Total equity and liabilities		62,900,251	59,561,442	51,769,959	51,882,177

Consolidated Statement of Comprehensive Income

Year ended 31 December 2011

	Note	2011 $	2010 $
Revenue	17	66,419,100	62,353,968
Cost of sales		(53,890,203)	(44,465,139)
Gross profit		12,528,897	17,888,829
Other income	18	1,452,136	1,241,219
Administrative expenses		(6,723,862)	(5,227,961)
Other expenses		(25,570)	(37,904)
Results from operating activities		7,231,601	13,864,183
Finance costs	19	(52,556)	(115,512)
Share of results of jointly controlled entity (net of tax)		(88,826)	-
Profit before income tax	20	7,090,219	13,748,671
Tax expense	21	(652,125)	(1,717,582)
Profit for the year/Total comprehensive income for the year		6,438,094	12,031,089
Profit attributable to:			
Owners of the Company		6,326,423	12,031,089
Non-controlling interests		111,671	-
Profit for the year/Total comprehensive income for the year		6,438,094	12,031,089
Earnings per share			
Basic earnings per share (cents)	22	1.52	3.62
Diluted earnings per share (cents)	22	1.52	3.62

Consolidated Statement of Changes in Equity

Year ended 31 December 2011

Group	Note	Share capital $	Retained earnings $	Total attributable to owners of the Company $	Non-controlling interests $	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 owners						
Issue of ordinary shares, net of issue expenses	13	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

Consolidated Statement of Changes in Equity

Year ended 31 December 2011

Group	Note	Share capital $	Retained earnings $	Total attributable to owners of the Company $	Non-controlling interests $	Total $
At 1 January 2011		24,528,000	22,411,955	46,939,955	-	46,939,955
Total comprehensive income for the year						
Profit for the year		-	6,326,423	6,326,423	111,671	6,438,094
Total comprehensive income for the year		-	6,326,423	6,326,423	111,671	6,438,094
Transactions with owners, recorded directly in equity						
Change in ownership interests in subsidiary						
Acquisition of non-controlling interests		-	-	-	341,337	341,337
Total change in ownership interests in subsidiary		-	-	-	341,337	341,337
Distributions to owners						
Dividends	13	-	(4,167,080)	(4,167,080)	-	(4,167,080)
Total transactions with owners		-	(4,167,080)	(4,167,080)	341,337	(3,825,743)
At 31 December 2011		24,528,000	24,571,298	49,099,298	453,008	49,552,306

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Note	2011 $	2010 $
Cash flows from operating activities			
Profit before income tax		7,090,219	13,748,671
Adjustments for:			
Depreciation of property, plant and equipment		2,838,010	2,271,698
Share of loss in jointly controlled entity		88,826	-
Interest expense		52,556	115,512
Loss on disposal of subsidiary's investment in a jointly controlled entity		22,498	-
Property, plant and equipment written-off		5,003	37,693
Net loss/(gain) on disposal of property, plant and equipment		1,192	(308,419)
Net change in fair value of investment properties		(660,000)	(90,000)
Interest income		(53,409)	(25,350)
		9,384,895	15,749,805
Change in inventories		3,598,723	(2,013,416)
Change in trade and other receivables		(2,994,203)	(1,771,128)
Change in trade and other payables		1,299,726	1,484,420
Cash generated from operating activities		11,289,141	13,449,681
Income tax paid		(1,267,237)	(1,254,264)
Net cash from operating activities		10,021,904	12,195,417
Cash flows from investing activities			
Interest received		53,409	25,350
Acquisition of a subsidiary, net of cash	24	(2,081,445)	-
Investment in jointly controlled entity		-	(100,000)
Proceeds from disposal of property, plant and equipment		24,205	1,403,915
Acquisition of property, plant and equipment		(2,598,728)	(5,712,858)
Distribution to non-controlling interest on liquidation of subsidiary		-	(44,237)
Net cash used in investing activities		(4,602,559)	(4,427,830)
Cash flows from financing activities			
Proceed from issue of shares, net of issue expenses	13	-	18,900,000
Proceeds from borrowings		500,000	-
Repayment of borrowings		(1,314,348)	(3,409,736)
Payment of finance lease liabilities		-	(176,729)
Dividend paid		(4,167,080)	(5,000,000)
Interest paid		(52,556)	(115,512)
Net cash (used in)/from financing activities		(5,033,984)	10,198,023
Net increase in cash and cash equivalents		385,361	17,965,610
Cash and cash equivalents at 1 January		23,020,601	5,054,991
Cash and cash equivalents at 31 December	12	23,405,962	23,020,601

Notes to the Financial Statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 16 March 2012.

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 2011 comprise the Company and its subsidiaries (together referred to as the ‘Group” and individually as “Group entities”) and the Group’s interests in jointly controlled entities.

The principal activities of the Company are those of mechanical engineering service provider and investment holding company. The principal activities of the subsidiaries are set out in note 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 assumptions and estimation, uncertainties in applying accounting policies that have a significant effect on the amount recognised in the financial statements are included in the following notes.

- 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 8 – Measurement of recoverable amount of investment of jointly controlled entity
- Note 17 – estimation of the percentage of completion of the projects, attributable profits and foreseeable losses
- Note 25 – assessment of impairment losses on doubtful receivables

2.5 Changes in accounting policies

Measurement of non-controlling interests in business combinations

From 1 January 2011, the Group has applied the amendments to FRS 103 Business Combinations resulting from the *Improvements to FRSs 2010* in measuring at the acquisition date, non-controlling interests that are not present ownership interests and do not entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Such non-controlling interests are now measured at fair value (see note 3.1).

Previously, the Group has elected on a transaction-by-transaction basis whether to measure non-controlling interests that are not present ownership interests and do not entitle holders to proportionate share of the acquiree's net assets on liquidation at fair value, or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date.

This change in accounting policy has been applied prospectively to new business combinations occurring on or after 1 January 2011 and has no material impact on earnings per share.

Identification of related party relationships and related party disclosure

From 1 January 2011, the Group has applied the revised FRS 24 Related Party Disclosures (2010) to identify parties that are related to the Group and to determine the disclosures to be made on transactions and outstanding balances, including commitments, between the Group and its related parties. FRS 24 (2010) improved the definition of a related party in order to eliminate inconsistencies and ensure symmetrical identification of relationships between two parties.

The adoption of FRS 24 (2010) has not resulted in additional parties being identified as related to the Group. Transactions and outstanding balances, including commitments, for the current and comparative years have been disclosed accordingly in note 27 to the financial statements.

The adoption of FRS 24 (2010) affects only the disclosures made in the financial statements. There is no financial effect on the results and financial position of the Group for the current and previous financial years. Accordingly, the adoption of FRS 24 (2010) has no 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 Basis of 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.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on a transaction-by-transaction basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

Subsidiaries

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

3 Significant accounting policies (Continued)

3.1 Basis of consolidation (Continued)

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

Investments in jointly controlled entity (equity-amounted investee)

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in jointly controlled entities 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 joint control commences until the date that 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.

Acquisition of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore the carrying amounts of assets and liabilities are not changed and goodwill is not recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the adjustment to non-controlling interests and the fair value of consideration paid is recognised directly in equity and presented as part of equity attributable to owners of the Company.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Accounting for subsidiaries and jointly controlled entities

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

3 Significant accounting policies (Continued)

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 end of the reporting period are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

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

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. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

3 Significant accounting policies (Continued)

3.3 Property, plant and equipment (Continued)

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

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 the end of reporting period and adjusted if appropriate.

3.4 Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets and represents the excess of:

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

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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

Subsequent measurement

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 Significant accounting policies (Continued)

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.

3.7 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.

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

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

3 Significant accounting policies (Continued)

3.9 Financial instruments (Continued)

Loans and receivables

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

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

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

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.

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

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 Significant accounting policies (Continued)

3.10 Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event 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.

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, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or 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.

Loans and receivables

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

In assessing collective impairment, the Group uses historical trends of the probability of default, 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 (e.g. repayment by a debtor) 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.

3 **Significant accounting policies** (Continued)

3.10 Impairment (Continued)

Non-financial assets *(Continued)*

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest 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 purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

3.11 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 benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided.

3 Significant accounting policies (Continued)

3.11 Employee benefits (Continued)

Short-term employee benefits (Continued)

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.

3.13 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 form acceptance has been acknowledged by the customer.

3 Significant accounting policies (Continued)

3.14 Revenue (Continued)

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.

3.17 Tax

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for 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 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; and difference arising on the initial recognition of goodwill. 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.

3 Significant accounting policies (Continued)

3.17 Tax (Continued)

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.

In the ordinary course of business, there are many transactions and calculations for which the ultimate tax treatment is uncertain. Therefore, the Company recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when the Company believes that certain positions may not be fully sustained upon review by tax authorities, despite the Company's belief that its tax return positions are supportable. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of multifaceted judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities, such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.18 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.

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.

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. Unallocated 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 2011, 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 equipment $	Motor vehicles $	Other assets $	Total $
Cost						
At 1 January 2010	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
Additions	297,379	1,680,925	376,717	52,220	191,487	2,598,728
Acquisitions through business combination	1,200,000	117,057	63,692	65,745	-	1,446,494
Reclassification to investment properties	(1,200,000)	-	-	-	-	(1,200,000)
Disposals/Write-off	-	(239,062)	(5,150)	(37,552)	-	(281,764)
At 31 December 2011	6,234,447	16,069,767	2,408,972	5,211,627	600,444	30,525,257
Accumulated depreciation						
At 1 January 2010	970,909	5,860,187	525,198	3,158,325	269,632	10,784,251
Depreciation 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
Depreciation charge for the year	479,946	1,303,259	226,073	773,248	49,790	2,832,316
Disposals/Write-off	-	(208,662)	(5,150)	(37,552)	-	(251,364)
At 31 December 2011	1,741,822	7,209,568	829,631	4,597,656	330,551	14,709,228
Carrying amounts						
At 1 January 2010	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
At 31 December 2011	4,492,625	8,860,199	1,579,341	613,971	269,893	15,816,029

4 Property, plant and equipment (Continued)

Company	Leasehold property $	Machinery, tools and equipment $	Furniture and office equipment $	Motor vehicles $	Other assets $	Total $
Cost						
At 1 January 2010	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
Additions	297,379	1,658,858	360,398	52,220	191,487	2,560,342
Disposals/Write-off	-	(238,076)	(986)	-	-	(239,062)
At 31 December 2011	6,234,447	15,572,275	2,098,743	4,692,990	464,673	29,063,128
Accumulated depreciation						
At 1 January 2010	970,909	5,620,908	336,170	2,912,455	146,183	9,986,625
Depreciation 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
Depreciation charge for the year	479,946	1,257,150	184,978	701,010	44,443	2,667,527
Disposals/Write-off	-	(208,662)	(985)	-	-	(209,647)
At 31 December 2011	1,741,822	6,904,283	596,594	4,253,995	196,312	13,693,006
Carrying amounts						
At 1 January 2010	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
At 31 December 2011	4,492,625	8,667,992	1,502,149	438,995	268,361	15,370,122

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.

Leased motor vehicles

The Group leases motor vehicles under a number of finance lease agreements. At 31 December 2011, the net carrying amount of leased motor vehicles was $40,179 (2010: $nil).

4 Property, plant and equipment (Continued)

Depreciation capitalised in contract work-in-progress

Depreciation of property, plant and equipment of the Group and the Company amounting to $5,227 and $2,090 (2010: $10,921 and $10,921) has been capitalised in contract work-in-progress, respectively.

Security

The leasehold property of the Group and the Company with carrying amount of $4,492,625 as at 31 December 2011 (2010: $nil). was mortgaged to a bank to secure banking facilities of the Group and the Company.

5 Goodwill on consolidation

		Group	
	Note	2011	2010
		$	$
At 1 January		1,001,330	1,001,330
Acquisition through business combination	24	634,650	-
At 31 December		1,635,980	1,001,330

The carrying values of the Group's goodwill on consolidation of subsidiaries were assessed for impairment for the financial year ended 31 December 2011. For the purpose of impairment testing, goodwill is allocated to the electrical and instrumentation and rotating equipment cash-generating units.

The recoverable amounts of the electrical and instrumentation and rotating equipment cash-generating units were based on their value in use. Value in use was determined by discounting the future cash flows generated from the continuing use of cash-generating units 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 three-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 5.2% (2010: 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	
	Note	2011	2010	2011	2010
		$	$	$	$
At 1 January		1,220,000	1,130,000	920,000	830,000
Changes in fair value		660,000	90,000	40,000	90,000
Reclassification from property, plant and equipment	4	1,200,000	-	-	-
At 31 December		3,080,000	1,220,000	960,000	920,000

As at 31 December 2011, 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 reporting date. The direct comparison method involves the analysis of comparable sales of similar properties and adjusting the sale prices to be more reflective of the investment properties.

Investment properties comprise a number of commercial properties that are leased to third parties. Each of the leases contains initial non-cancellable periods of between 1 to 2 years. Subsequent renewals are negotiated with the leases. 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
140 Gul Circle, Singapore 629601	30	Rental property

Security

At 31 December 2011, investment properties of the Group and Company with carrying amount of $840,000 and $520,000 (2010: $800,000 and $500,000), respectively, are pledged as security to secure the bank facilities of the Group and Company.

Notes to the Financial Statements

7 Subsidiaries

	Company 2011 $	Company 2010 $
Unquoted equity investments, at cost	3,446,000	1,436,000

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity held by the Company 2011 %	2010 %
OHM Engineering Pte Ltd[1]	Mechanical and electrical engineering services	Singapore	100	100
MSE Investment Pte. Ltd.[2]	Investment and investment holding of overseas joint venture companies	Singapore	100	-
Wing Wah Industrial Services Pte Ltd[3]	Mixed construction activities, manufacturing activities and process plant engineering services	Singapore	80	-

[1] Audited by KPMG LLP.
[2] Not required for an audit as the company is dormant since its incoporation on 5 January 2011.
[3] Audited by Paul Wan & Co, Singapore.

8 Jointly controlled entity

	Group 2011 $	Group 2010 $	Company 2011 $	Company 2010 $
Investment in joint venture				
At 1 January	100,000	100,000	100,000	100,000
Share of loss	(88,826)	-	-	-
At 31 December	11,174	100,000	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) $
2011	12,724	1,820	14,544	(3,370)	-	(3,370)	-	(88,826)	(88,826)
2010	100,000	-	100,000	(1,822)	-	(1,822)	-	(1,822)	(1,822)

8 Jointly controlled entity (Continued)

Details of the jointly controlled entity are as follows:

Name of jointly controlled entity	Principal activity	Country of incorporation	Effective equity held by the Company 2011 %	2010 %
Alliance Process Engineering & Construction Pte. Ltd.	Investment holding	Singapore	33	33

In 2010, 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. The jointly controlled entity has been inactive since its incorporation.

Impairment assessment of investment 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.

9 Inventories

		Group		Company	
	Note	2011 $	2010 $	2011 $	2010 $
Consumables		369,448	329,785	280,866	329,785
Contract work-in-progress	10	1,437,454	4,921,057	1,349,084	885,437
		1,806,902	5,250,842	1,629,950	1,215,222

In 2011, consumables and direct materials recognised as cost of sales amounted to $4,076,256 (2010: $2,859,184).

10 Construction work-in-progress

		Group		Company	
	Note	2011 $	2010 $	2011 $	2010 $
Cost incurred and attributable profits		4,673,769	19,379,454	2,107,899	1,202,438
Progress billings		(4,152,449)	(15,204,158)	(817,195)	(1,054,166)
		521,320	4,175,296	1,290,704	148,272
Comprising:					
Contract work-in-progress	9	1,437,454	4,921,057	1,349,084	885,437
Excess of progress billings over contract work-in-progress	16	(916,134)	(745,761)	(58,380)	(737,165)
		521,320	4,175,296	1,290,704	148,272

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10 Construction work-in-progress (Continued)

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

		Group		Company	
	Note	2011	2010	2011	2010
		$	$	$	$
Depreciation of property, plant and equipment	4	5,227	10,921	2,090	10,921
Staff costs		308,381	194,250	208,898	194,250
		313,608	205,171	210,988	205,171

11 Trade and other receivables

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Trade receivables	15,910,571	12,113,509	13,034,443	10,353,849
Deposits	735,433	386,575	610,604	358,795
Other receivables	290,094	433,445	238,915	327,493
Loan and receivables	16,936,098	12,933,529	13,883,962	11,040,137
Prepayments	208,106	201,617	159,633	187,384
	17,144,204	13,135,146	14,043,595	11,227,521

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.

12 Cash and cash equivalents

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Cash at bank and on hand	13,523,724	22,120,601	11,220,292	20,976,712
Short-term fixed deposits	9,882,238	900,000	5,000,000	500,000
Cash and cash equivalents in the consolidated statement of cash flows	23,405,962	23,020,601	16,220,292	21,476,712

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.

13 Share capital

	Ordinary shares	
	2011	2010
	No. of shares	No. of shares
At 1 January	416,708,000	4,916,000
Sub-division of shares	-	309,708,000
Issuance of ordinary shares	-	107,000,000
At 31 December	416,708,000	416,708,000

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.

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.

Dividends

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

For the year ended 31 December

	Group and Company	
	2011	2010
	$	$
Paid by the Company to owners of the Company		
1.0 cents per ordinary share to all shareholders (2010: $nil)	4,167,080	-

After the respective reporting dates, the following exempt (one-tier) final dividends were proposed by the directors. These exempt (one-tier) dividends have not been provided for:

	Group and Company	
	2011	2010
	$	$
0.6 cents per ordinary share to all shareholders (2010: 1.0 cents)	2,500,248	4,167,080

13 Share capital (Continued)

Capital management

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

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

There 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.

14 Loans and borrowings

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Non-current liabilities				
Secured bank loan	76,778	-	-	-
Unsecured bank loans	-	31,634	-	31,634
Finance lease liabilities	8,017	-	-	-
	84,795	31,634	-	31,634
Current liabilities				
Secured bank loans	187,780	-	-	-
Unsecured bank loans	421,711	1,091,188	31,578	1,091,188
Finance lease liabilities	15,419	-	-	-
	624,910	1,091,188	31,578	1,091,188
Total loans and borrowings	709,705	1,122,822	31,578	1,122,822

Finance lease liabilities

Finance lease liabilities were payable as follows:

	Future minimum lease payments	Interest	Principal
	2011	2011	2011
Group	$	$	$
Within one year	17,687	2,268	15,419
Between one and five years	10,360	2,343	8,017
	28,047	4,611	23,436

Notes to the Financial Statements

14 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 $
2011					
Unsecured floating rate bank loan	SGD	1.25% over lending bank's prevailing cost of fund	2013	374,999	374,999
Secured floating rate bank loan	SGD	5.00%	2013	264,558	264,558
Unsecured floating rate bank loan	SGD	5.00%	2013	31,578	31,578
Unsecured floating rate bank loan	SGD	6.02%	2013	15,134	15,134
				686,269	686,269
Fixed rate finance leases	SGD	3% - 4%	2012, 2014	28,047	23,436
				714,316	709,705
2010					
Unsecured fixed rate bank loan	SGD	5.00%	2013	1,122,822	1,122,822
Company					
2011					
Unsecured fixed rate bank loan	SGD	5.00%	2013	31,578	31,578
2010					
Unsecured fixed rate bank loan	SGD	5.00%	2013	1,122,822	1,122,822

The bank loans of a subsidiary are secured as follows:

- Assignment of all existing and future receivables from a customer of a subsidiary; and
- Joint and corporate guarantee from the Company and certain directors of the Company.

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

15 Deferred tax liabilities

Movements in temporary differences during the year are as follows:

	At 1 January 2010 $	Recognised in profit or loss (see note 21) $	At 31 December 2010 $	Recognised in profit or loss (see note 21) $	At 31 December 2011 $
Deferred tax liabilities					
Group					
Property, plant and equipment	783,500	318,500	1,102,000	363,686	1,465,686
Company					
Property, plant and equipment	755,000	300,000	1,055,000	375,000	1,430,000

16 Trade and other payables

	Note	Group 2011 $	Group 2010 $	Company 2011 $	Company 2010 $
Trade payables		4,996,455	3,396,657	4,588,192	1,570,788
Amounts due to subsidiaries:					
- trade		-	-	2,267,909	717,433
- non-trade		-	-	-	400,000
Other payables and accruals		4,618,458	4,413,942	3,470,441	3,961,066
Provision		-	220,000	-	220,000
Excess of progress billings over contract work-in-progress	10	916,134	745,761	58,380	737,165
		10,531,047	8,776,360	10,384,922	7,606,452

The amounts due to subsidiaries were unsecured and interest-free, and were repaid during the financial year.

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

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 relevant 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. During the year, the relevant authority imposed a fine of $110,000 and was utilised against the provision. The balance of $110,000 was reversed to profit or loss.

17 Revenue

	Group 2011 $	Group 2010 $
Contract revenue	15,213,019	26,379,331
Rendering of maintenance services	51,206,081	35,974,637
	66,419,100	62,353,968

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.

18 Other income

	Group 2011 $	Group 2010 $
Changes in fair value of investment properties	660,000	90,000
Rental income	221,791	253,535
Provision reversed	110,000	-
Interest income	53,409	25,350
Gain on disposal of property, plant and equipment	-	308,418
Government grant – Jobs Credit Scheme	-	122,111
Others	406,936	441,805
	1,452,136	1,241,219

19 Finance costs

	Group 2011 $	Group 2010 $
Interest expenses on loans and borrowings	52,556	115,512

Notes to the Financial Statements

20 Profit before income tax

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

	Group 2011 $	Group 2010 $
Staff costs	30,444,328	28,879,109
Contribution to defined contribution plans included in staff costs	1,174,991	972,629
Depreciation of property, plant and equipment	2,838,010	2,271,698
Operating lease expenses	314,144	279,782
Loss on disposal of subsidiary's investment in a jointly controlled entity	22,498	-
Operating expenses arising from rental of investment properties	19,427	18,534
Audit fees paid/payable to:		
- auditors of the Company	105,000	100,000
- other auditors	7,000	-
Non-audit fees paid to auditors of the Company	9,700	4,600
Property, plant and equipment written-off	5,003	37,693
Net loss/(gain) on disposal of property, plant and equipment	1,192	(308,419)
Net foreign exchange (gain)/ loss	(5,037)	15,475

21 Income tax expense

	Group 2011 $	Group 2010 $
Current tax expense		
Current year	585,535	1,790,000
Over provided in prior years	(297,096)	(390,918)
	288,439	1,399,082
Deferred tax expense		
Origination of temporary differences	10,840	318,500
Under provided in prior year	352,846	-
	363,686	318,500
Total income tax expense	652,125	1,717,582

Reconciliation of effective tax rate

	Group 2011 $	Group 2010 $
Profit before income tax	7,090,219	13,748,671
Income tax using the Singapore tax rate of 17% (2010: 17%)	1,205,337	2,337,274
Non-deductible expenses	118,016	26,213
Under/(Over) provision in prior years	55,750	(390,918)
Productivity and innovation credit claims	(458,072)	(10,468)
Income not subject to tax	(258,597)	(157,784)
Others	(10,309)	(86,735)
	652,125	1,717,582

Notes to the Financial Statements

22 Earnings per share

The calculation of basic earnings per share at 31 December 2011 was based on the profit attributable to ordinary shareholders of $6,326,423 (2010: $12,031,089), and weighted average number of ordinary shares outstanding of 416,708,000 (2010: 332,280,603), calculated as follows:

	Group	
	2011	**2010**
	$	**$**
Profit attributable to ordinary shareholders	6,326,423	12,031,089
	No. of shares	**No. of shares**
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	416,708,000	4,916,000
Effect of sub-division of shares	-	309,708,000
Effect of shares issued	-	17,656,603
Weighted average number of ordinary shares at 31 December	416,708,000	332,280,603

At 31 December 2011, the basic and diluted earnings per share are the same. There were no dilutive potential ordinary shares in existence for the financial years ended 31 December 2011 and 2010.

23 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 and rotating equipment : Relates to electrical and instrumentation services of installing transformers, switchgears, lightings, lightning protection, grounding system, distribution control system, field instrument, impulse line, calibration and loop check and, provision of design, supply, fabrication and installation of marine and industrial engineering works and the related servicing works.

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.

23 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 2011 and 2010 is as follows:

Business segments

2011	Mechanical $	Electrical and instrumentation and rotating equipment $	Total $
External revenues	57,376,180	9,042,920	66,419,100
Inter-segment revenue	-	3,417,896	3,417,896
Total Revenue	57,376,180	12,460,816	69,836,996
Interest income	48,277	5,132	53,409
Interest expenses	31,084	21,472	52,556
Depreciation of property, plant and equipment	2,676,360	161,650	2,838,010
Reportable segment profit before income tax	2,775,493	4,404,538	7,180,031
Reportable segment assets	45,563,960	15,061,305	60,625,265
Capital expenditure	2,560,342	38,386	2,598,728
Reportable segment liabilities	11,854,787	3,844,340	15,699,127
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 of property, plant and equipment	2,174,984	96,714	2,271,698
Reportable segment profit before income tax	11,807,428	5,936,285	17,743,713
Reportable segment assets	49,526,177	8,931,368	58,457,545
Capital expenditure	5,658,884	53,974	5,712,858
Reportable segment liabilities	10,424,579	3,314,341	13,738,920

23 Operating segments (Continued)

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

	2011 $	2010 $
Revenues		
Total revenues for reportable segments	69,836,996	64,004,410
Elimination of inter-segment revenue	(3,417,896)	(1,650,442)
Consolidated revenue	66,419,100	62,353,968
Profit or loss		
Total profit or loss for reportable segments	7,180,031	17,743,713
Elimination of inter-segment income	(89,812)	(4,000,000)
Unallocated income	-	4,958
Consolidated profit before income tax	7,090,219	13,748,671
Assets		
Total assets for reportable segments	60,625,265	58,457,545
Other assets	4,715,980	2,221,330
Elimination of inter-segment assets	(2,351,182)	(1,117,433)
Other unallocated amounts	(89,812)	-
Consolidated total assets	62,900,251	59,561,442
Liabilities		
Total liabilities for reportable segments	15,699,127	13,738,920
Elimination of inter-segment liabilities	(2,351,182)	(1,117,433)
Consolidated total liabilities	13,347,945	12,621,487

Major customers

During the financial year ended 31 December 2011, revenue from three major customers of the Group totalled approximately $49,256,782 (2010: $52,151,778). 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:

	2011 $	2010 $
Customer 1	15,706,957	29,042,138
Customer 2	14,299,352	12,245,403
Customer 3	19,250,473	10,864,237
	49,256,782	52,151,778

24 Acquisition of subsidiary

On 1 July 2011, the Company acquired 80% of the share capital and voting rights of Wing Wah Industrial Services Pte Ltd ("Wing Wah"), a company principally engaged in mixed construction activities, manufacturing activities and process plant engineering services ("Acquisition") for total cash consideration of $2,000,000. As a result the Acquisition, Wing Wah becomes a subsidiary of the Company.

For the six months to 31 December 2011, Wing Wah contributed revenue of $1,484,965 and profit of $558,355 to the Group's results. If the acquisition had occurred on 1 January 2011, management estimates that consolidated revenue would have been $67,296,086, and consolidated profit for the year would have been $6,517,350. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2011.

Identifiable assets acquired and liabilities assumed

The amount of identifiable assets acquired and liabilities assumed in the Acquisition are as follows:

	Note	$
Property, plant and equipment	4	1,446,494
Trade and other receivables		1,014,855
Inventories		160,477
Investment in joint venture		22,498
Bank overdraft		(81,445)
Trade and other payables		(454,961)
Loans and borrowings		(401,231)
Total identifiable net assets		1,706,687
For cash flow presentation purposes		
Total purchase consideration		2,000,000
Bank overdraft		81,445
Acquisition of subsidiary, net of cash		2,081,445

Goodwill

Goodwill was recognised as a result of the acquisition as follows:

	$
Total purchase consideration	2,000,000
Non-controlling interests, that are present ownership interests and entitle the holders to a proportionate share of Wing Wah's net assets on liquidation, based on their proportionate interest in the recognised amounts of the assets and liabilities of Wing Wah	341,337
Fair value of existing interest in Wing Wah at the date of acquisition	2,341,337
Fair value of identifiable net assets	1,706,687
Goodwill	634,650

24 Acquisition of subsidiary (Continued)

The goodwill in attributable mainly to the skills and technical talent of Wing Wah's work force and the synergies expected to be achieve from integrating the subsidiary to the Groups existing business. None of the goodwill recognised is expected to be deductible for tax purposes.

Acquisition-related costs

The Group incurred acquisition-related costs of $50,198 related to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in administrative expenses in the Group's profit or loss.

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

25 Financial risk management (Continued)

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 2011, approximately 74% (2010: 84%) of the Group's revenue is attributable to sales transactions with 3 customers. The Group's most significant customer accounts for $13,007,037 (2010: $9,823,607) of the carrying value of trade receivables as at 31 December 2011.

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.

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:

	Gross 2011 $	Impairment losses 2011 $	Gross 2010 $	Impairment losses 2010 $
Group				
Not past due	11,120,960	-	10,311,013	-
Past due 0-30 days	4,635,973	-	1,681,179	-
Past due 31-60 days	133,592	-	86,696	-
More than 60 days	20,046	-	34,621	-
	15,910,571	-	12,113,509	-

25 Financial risk management (Continued)

	Gross 2011 $	Impairment losses 2011 $	Gross 2010 $	Impairment losses 2010 $
Company				
Not past due	8,668,158	-	9,612,784	-
Past due 0-30 days	4,338,590	-	634,627	-
Past due 31-60 days	26,690	-	71,817	-
More than 60 days	1,005	-	34,621	-
	13,034,443	-	10,353,849	-

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.

Allowance for impairment losses

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of trade and other receivables. The component of this allowance is specific loss that relates to individually significant exposures.

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.

25 Financial risk management (Continued)

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

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

	Carrying amount $	Contractual cash flows $	Within 1 year $	Within 1 to 5 years $
Group				
31 December 2011				
Non-derivative financial liabilities				
Loans and borrowings	709,705	723,815	627,178	96,637
Trade and other payables*	9,614,913	9,614,913	9,614,913	-
	10,324,618	10,338,728	10,242,091	96,637
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
Company				
31 December 2011				
Non-derivative financial liabilities				
Loans and borrowings	31,578	33,157	33,157	-
Trade and other payables*	10,326,542	10,326,542	10,326,542	-
	10,358,120	10,359,699	10,359,699	-
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

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

	2011 United States dollars $	2010 United States dollars $
Group		
Trade and other receivables	114,757	93,190
Cash and bank balances	193,445	100,918
Trade and other payables	-	(54,228)
Net exposure	308,202	139,880
Company		
Trade and other receivables	96,357	93,190
Cash and bank balances	190,503	98,001
Trade and other payables	-	(54,228)
Net exposure	286,860	136,963

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 2010.

	Group Equity and profit or loss $	Company Equity and profit or loss $
31 December 2011		
United States dollars	(30,820)	(28,686)
31 December 2010		
United States dollars	(13,988)	(13,696)

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.

25 Financial risk management (Continued)

Interest rate risk

Profile

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

	Carrying amount 2011 $	Carrying amount 2010 $
Group		
Fixed rate instruments		
Bank loans	(311,270)	(1,122,822)
Finance lease liabilities	(23,436)	-
	(334,706)	(1,122,822)
Variable rate instruments		
Cash and cash equivalents	23,378,385	23,001,315
Bank loan	(374,999)	-
	23,003,386	23,001,315
Company		
Fixed rate instruments		
Bank loan	(31,578)	(1,122,822)
Variable rate instruments		
Cash and cash equivalents	16,207,099	21,460,926

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 2010.

	Group Profit or loss		Company Profit or loss	
Group and Company	**100 bp Increase $**	**100 bp Decrease $**	**100 bp Increase $**	**100 bp Decrease $**
31 December 2011				
Variable rate instruments	230,034	(230,034)	162,071	(162,071)

25 Financial risk management (Continued)

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

Accounting classifications and fair values

Fair values versus carrying amounts

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

	Note	Loans and receivables $	Other financial liabilities within the scope of FRS 39 $	Total carrying amount $	Fair value $
Group					
31 December 2011					
Trade and other receivables	11	16,936,098	-	16,936,098	16,936,098
Cash and cash equivalents	12	23,405,962	-	23,405,962	23,405,962
		40,342,060	-	40,342,060	40,342,060
Floating rate bank loan	14	-	374,999	374,999	374,999
Fixed rate bank loans	14	-	311,270	311,270	296,151
Finance lease liabilities	14	-	23,436	23,436	22,239
		-	709,705	709,705	693,389
31 December 2010					
Trade and other receivables	11	12,933,529	-	12,933,529	12,933,529
Cash and cash equivalents	12	23,020,601	-	23,020,601	23,020,601
		35,954,130	-	35,954,130	35,954,130
Fixed rate bank loan	14	-	1,122,822	1,122,822	1,092,000

25 Financial risk management (Continued)

Accounting classifications and fair values (Continued)

Fair values versus carrying amounts (Continued)

	Note	Loans and receivables $	Other financial liabilities within the scope of FRS 39 $	Total carrying amount $	Fair value $
Company					
31 December 2011					
Trade and other receivables	11	13,883,963	-	13,883,963	13,883,963
Cash and cash equivalents	12	16,220,292	-	16,220,292	16,220,292
		30,104,255	-	30,104,255	30,104,255
Fixed rate bank loan	14	-	31,578	31,578	29,966
31 December 2010					
Trade and other receivables	11	11,040,137	-	11,040,137	11,040,137
Cash and cash equivalents	12	21,476,712	-	21,476,712	21,476,712
		32,516,849	-	32,516,849	32,516,849
Fixed rate bank loan	14	-	1,122,822	1,122,822	1,092,000

Interest rates used for determining fair value

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

	2011 %	2010 %
Finance lease liabilities	5.38%	-
Unsecured fixed rate bank loans	5.38%	5.5%

26. Determination of fair values

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

(a) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of machinery, tools, equipment, furniture, office equipment, motor vehicles and other assets is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate. Depreciated replacement cost estimates reflect adjustments for physical deterioration as well as functional and economic obsolescence.

(b) Investment properties

The determination of fair value of investment properties is discussed in note 6.

(c) Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(d) Non-derivative financial liabilities

The carrying amounts of variable interest rate bank loans approximate the market rate of interest at the reporting date.

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

(e) Other financial assets and liabilities

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

27 Related party transactions

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

Key management personnel compensation

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

Key management personnel compensation included in staff costs comprised:

	Group	
	2011	**2010**
	$	**$**
Directors' fees	95,000	23,750
Directors' remunerations	1,722,049	1,736,745
	1,817,049	1,760,495

28 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	
	2011	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**
Within one year	381,983	336,874	365,958	332,356
Between one and five years	1,485,362	1,353,587	1,418,246	1,335,514
More than five years	1,188,015	1,360,952	1,172,738	1,342,291
	3,055,360	3,051,413	2,956,942	3,010,161

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 five years for a fixed lease payment, with an option to renew the lease after that date.

28 Commitments (Continued)

Minimum lease receivables

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**
Between one and five years	117,000	-	117,000	-
Within one year	147,156	64,904	98,125	25,184
	264,156	64,904	215,125	25,184

The Group sub-let its factory and plant and equipment premises under non-cancellable operating lease, which expires in 2012.

29 Subsequent events

On 3 February 2012, a subsidiary of the Group entered into an option to sell its leasehold land and building ("Investment Property") to a third party at a selling price of $1,800,000. The selling price was determined after arm's length negotiations between the parties. None of the directors or substantial shareholders of the Company has any interest, directly or indirect (other than through their respective shareholdings in the Company), in the transaction.

Statistics of Shareholdings

As at 29 February 2012

ISSUED AND FULLY PAID SHARE CAPITAL	:	S$24,528,000
NUMBER OF ISSUED SHARES	:	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
NUMBER OF 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	569	39.79	2,634,000	0.63
10,001 - 1,000,000	841	58.81	73,407,000	17.62
1,000,001 AND ABOVE	20	1.40	340,667,000	81.75
TOTAL	**1,430**	**100.00**	**416,708,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CHENG WOEI FEN	199,284,000	47.82
2	QUEK CHIAU LIONG	36,540,000	8.77
3	QUEK KIAN HUI (GUO JIANHUI)	24,040,000	5.77
4	QUEK KIAN TECK (GUO JIANDE)	23,940,000	5.75
5	GOH HENG CHEW	10,642,000	2.55
6	SINGAPORE WAREHOUSE CO PTE LTD	9,400,000	2.26
7	GLOBAL TRADE INVESTMENT MANAGEMENT PTE LTD	7,550,000	1.81
8	LIN YAN	5,190,000	1.25
9	UOB KAY HIAN PTE LTD	4,138,000	0.99
10	DMG & PARTNERS SECURITIES PTE LTD	3,272,000	0.79
11	MAYBANK KIM ENG SECURITIES PTE LTD	2,830,000	0.68
12	OCBC SECURITIES PRIVATE LTD	2,315,000	0.56
13	UNITED OVERSEAS BANK NOMINEES PTE LTD	1,866,000	0.45
14	NG HIAN CHOW	1,860,000	0.45
15	THNG KIAN TONG	1,569,000	0.38
16	KOH SER KIONG	1,550,000	0.37
17	TAN HAI PENG MICHEAL	1,250,000	0.30
18	DBS NOMINEES PTE LTD	1,238,000	0.30
19	YEE CHIA HSING	1,188,000	0.29
20	PHILLIP SECURITIES PTE LTD	1,005,000	0.24
		340,667,000	**81.78**

Statistics of Shareholdings

As at 29 February 2012

RULE 723 COMPLIANCE

Based on the information available to the Company as at 29 February 2012, approximately 30.38% of the issued ordinary shares of the Company is held by the public and hence it is in compliance with Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Limited.

SUBSTANTIAL SHAREHOLDERS	NO. OF SHARES Direct Interest	%	NO. OF SHARES Deemed Interest	%
CHENG WOEI FEN*	199,284,000	47.82	48,280,000	11.56
QUEK KIAN TECK*	23,940,000	5.75	24,040,000	5.77
QUEK KIAN HUI*	24,040,000	5.77	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 siblings 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

Mun Siong Engineering Limited
Co. Registration No: 196900250M

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, 9 April 2012 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 2011 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) Ms Cheng Woei Fen **[Resolution 2(i)]**
   (ii) Mr Lim Choon Wah **[Resolution 2(ii)]**
   (iii) Mr Gan Lai Chiang *[See Explanatory Note 1]* **[Resolution 2(iii)]**

3. To declare a first and final dividend of 0.6 cent per ordinary share tax-exempt (one-tier) for the financial year ended 31 December 2011 ("FY2011"). **[Resolution 3]**

4. To approve Directors' fees of up to S$110,000 for the financial year ended 31 December 2012 ("FY2012") to be payable quarterly in arrears. **[Resolution 4]**

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

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

SPECIAL BUSINESS

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

7. Authority to allot and issue shares and convertible securities **[Resolution 6]**

   "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, 22 March 2012

Notice of Annual General Meeting

Explanatory Notes:

1 *Mr Gan Lai Chiang, if re-elected, will be considered an independent non-executive director and will remain as the Chairman of the Audit Committee and a member of both the Remuneration 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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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.

MUN SIONG ENGINEERING LIMITED

Company Registration No. 196900250M
(Incorporated in the Republic of Singapore)

Proxy Form

I/We ______________________________ NRIC/Passport No. ______________________

of ____ (Address)

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

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

and/or (delete as appropriate)

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

or failing *him/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, 9 April 2012 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 2011		
2(i)	Re-election of Ms Cheng Woei Fen as a Director		
2(ii)	Re-election of Mr Lim Choon Wah as a Director		
2(iii)	Re-election of Mr Gan Lai Chiang as a Director		
3	Declaration of First and Final Dividends		
4	Approval of Directors' fees for FY2012		
5	Re-appointment of Messrs KPMG LLP as Auditors		
6	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 ____________________ 2012

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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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 Limited
65 Chulia Street
#01-00 OCBC Centre
Singapore 049513

AUDITORS
KPMG LLP
Public Accountants and
Certified Public Accountants
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581
(Engagement partner since financial year ended 31 December 2009: Mr. Barry Lee Chin Siang)

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MUN SIONG
ENGINEERING LIMITED

Company Reg. No. 196900250M

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