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MUN SIONG ENGINEERING LIMITED

OUR PEOPLE. OUR PRIDE.

Annual Report 2012

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.

Contents

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 and commitment to business continuity and corporate social responsibility. Together with our more than 43 years of track records, long-standing business relationship and broad experience in managing service contracts, have allowed us to expand our customer base to Taiwan, India and Malaysia. Mun Siong has expanded our 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.

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

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
- Design and Fabrication of Instrumentation and control systems
- DCS installation

Rotating Equipment:

- Servicing, repairing and overhauling
- On-site removal and installation of equipment
- Equipment and certified manpower supply
- Dynamic balancing
- Plant maintenance
- In-situ machining
- On-site repairs
- Plant shutdown or turnaround management
- New plant installation
- Preventive maintenance
- Upgrading of rotating equipment
- Retrofitting and modification of rotating equipment

Group Structure

Mun Siong Engineering Limited

OHM Engineering Pte Ltd	Wing Wah Industrial Services Pte Ltd	Alliance Process Engineering & Construction Pte Ltd	MSE Investment Pte Ltd
100%	**80%**	**33%**	**100%**

(As at 31st Dec 2012)

Executive Chairman's Statement

Cheng Woei Fen
Executive Chairman

Our Group achieved revenues of approximately S$73.1 million, a modest revenue growth of 10 per cent over previous financial year amidst weak economic sentiments in major economies.

Dear Shareholders, Business Partners and Colleagues

Our Group achieved revenues of approximately S$73.1 million, a modest revenue growth of 10 per cent over previous financial year amidst weak economic sentiments in major global economies.

The process industry, like many other industries was negatively affected in 2012 by the near collapse in the economies and financial systems of a number of countries in Europe; who are member nations of the European Union. The reductions in government spending and substantial reductions of credit extensions to corporates resulted in high levels of unemployment which in turn weaken consumer confidences levels; resulting in substantial fall in consumption. Our business partners, like many other multi-national corporations, turned cautious under such circumstances. Capital expenditure into business expansions (such as those to increase production capacities or introduce new products) were either deferred or significantly reduced in dollar terms.

Financial Review

For FY2012 our revenue improved due to greater contributions from our mechanical engineering segment. The increase in contribution came from the Group completing more projects during the financial year and strong contributions from the maintenance contracts. However, due to keen competition, our gross profit margins suffered. It was through management's tight cost control measures and the ability to maintain high productivity, has allowed our Group to achieve a profit before taxation of S$1.2 million.

With our prudent financial policy, the total borrowings as at 31st December 2012 stood at S$3.2 million against the shareholders' funds of S$48.0 million. Our net current assets position was about S$28.6 million. During the financial year, the Group increased its investment in capital equipment by S$7.1 million to further enhance productivity and capabilities.

Meeting The Challenge

In 2012, due to weak market sentiments, we have decided to defer our plans to widen our range of services to customers. Although the global economic activity is gaining some momentum, we will continue to adopt a cautious stance in 2013 as the risks are still evident amidst

the current market headwinds. We believe the budget announcement on 25th February 2013 by the Singapore government on tightening the supply of foreign workers will have a negative impact on us; as foreigners make up a substantial portion of our direct employed workforce.

Moving ahead, our Group will continue to focus on seeking opportunities for new projects on a selective basis. We will also continue to increase our market presence as a term resident maintenance service provider in the process industry. In January 2013, Jurong Aromatics Corporation gave us the privilege of adding their name to our list of business partners when they appointed us as their term resident maintenance service provider.

Corporate Development

Wing Wah, which the Group acquired an 80.0 per cent interest in 2011, has performed to our expectations and its financial results are encouraging. To further consolidate our interest in the company, on 1st January 2013, we increased our shareholdings by a further 17.0 per cent. At the same time we invited its deputy managing director, Mr Tan Kim Liang, Alex, (who oversees the operations) to participate as a shareholder. This is to encourage key executive to align their interest with that of the Group.

Moving forward, an executive committee will be formed in the second quarter of 2013. This committee will comprise of the executive chairman, the managing director and key management staff. The executive committee will be responsible for all operational matters and the implementation of business policies and strategies which are approved by the Board of Directors.

The Board had invited Dr Lau Teik Soon to be a member of the Board. As clarified in the announcement on 31st August 2012, under Section 153(6) the Companies Act. The appointment of Dr Lau, who is 74 of age this year, is subject to shareholders' approval at an AGM. The Board will table the appointment of Dr Lau at the forthcoming AGM for shareholders' approval. Upon being duly appointed, Dr Lau is considered a non-executive and independent director and will further enhance our Board and the Group.

Corporate Governance

Good corporate governance has long been a cornerstone of Mun Siong's business philosophy. The Group has made efforts to meet the guidelines set by the revised Code of Corporate Governance issued in May 2012 (the "2012 Code").

We took the recommendations from both our external and internal auditors to further strengthen our internal controls and risk management processes within the Group.

Dividend

The Directors recommended, for shareholders' approval, a first and final dividend of 0.15 cents per share for FY2012. If this is approved by the shareholders at our Annual General Meeting on 9th April 2013, it will be paid on 16th May 2013.

Acknowledgement

Since commencing our operation in 1969, the strong support of our business partners and loyalty and commitment of colleagues, have always been the key factors towards our growth and success. This has always served as a strong encouragement to me and my fellow directors. I would like to take this opportunity to express my heartfelt and sincere thanks for your continual support and trust in us.

I would like to take this opportunity to thank Mr Tan Chee Meng for his contribution while serving as a director of our Company.

Cheng Woei Fen
Executive Chairman

Managing Director's Statement

Quek Chiau Liong
Managing Director

Mun Siong has a current order book of about S$34.8 million worth of term maintenance contracts that were secured since FY2009, which is approximately 18% increase compared to the previous year.

With the recent win of a term maintenance contract in specialize services with a new client, JAC (Jurong Aromatics Corporation), it has reaffirmed the Group's position as a leading maintenance service provider.

Dear Shareholders,

On behalf of the Board of Mun Siong Engineering Limited, I'm pleased to present to you our annual report for the financial year ended 31st December 2012.

Financial Performance

As we all know 2012 has been a year that was full of challenges. The already depressed global economic condition was made worse by a string of political and economic events. It is with this backdrop that we had operated our business for the past year.

We are pleased that despite the difficult condition and losses that were made in the first two quarters, Mun Siong Engineering Limited ("Company" and "Group") managed to turn in a respectable profit for the full year. This would not have been possible without the support from our customers, our employees, as well as all our business partners.

Revenue grew by 10% to S$73.1 million in FY2012. This is a highest level of revenue achieved in the history of the Group and it has demonstrated the ability of the management to generate revenue even in difficult environment.

Gross profit, on the other hand, suffered a drop as a result of competitive pricing and rising business costs. Direct business costs such as labour and related costs continue to climb in FY2012. The double whammy of competitive pricing and rising business costs have inevitably caused the gross profit margin to decrease in FY2012.

Overall, our Group made a net profit before tax of S$1.2 million for FY2012. While this is lower than the previous year, the result is respectable given the difficult condition that we have during the year. It also demonstrated the tenacity of the Group in times of adverse condition and its resolve to achieve results.

Business and Operational Review

The Group's business continues to be powered by its maintenance and project works. On individual segment performance, both our Group's Mechanical Engineering and Electrical & Installation segments have successfully completed several project works on top of their regular maintenance works during the year.

Mun Siong has a current order book of about S$34.8 million worth of term maintenance contracts that were secured since FY2009, which is approximately 18% increase compared to the previous year.

With the recent win of a term maintenance contract in specialize services with a new client, JAC (Jurong Aromatics Corporation), it has reaffirmed the Group's position as a leading maintenance service provider. We will continue to strengthen and seek improvement on our capabilities in this area of business.

While our business in the maintenance sector continue to enjoy a healthy growth, we have not taken our focus away in the sector of project works. We will continue to participate in works that fits to the best of our strength.

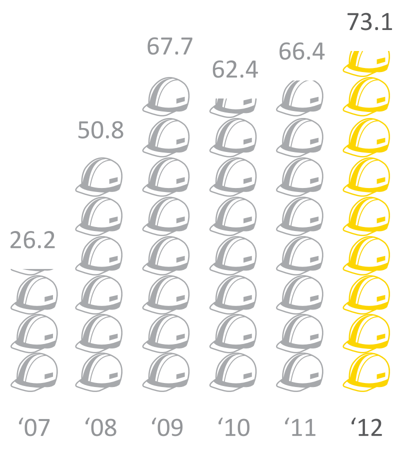
Moving forward, we will continue to maintain a strong tie with our existing clients and maintain our efforts in exploring opportunities that are available in the market to expand our business.

Challenges ahead

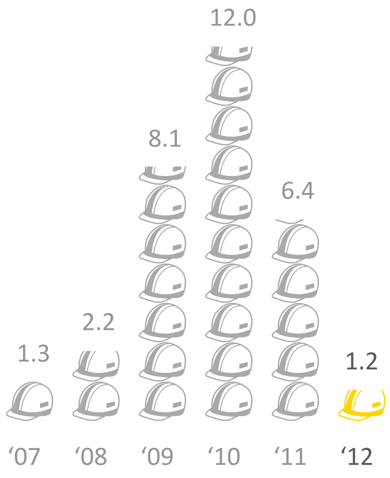
The management acknowledges that the outlook for the near future is likely to be filled with challenges. However, the management remains committed to achieving the goal of providing end products of excellence quality coupling with a strong emphasis on the welfare and safety of the employees. It is this policy that we believe we need to make Mun Siong a sustainable business entity.

Vincent Quek Chiau Liong
Managing Director

Group revenue (S$'mil)



Net profit before tax (S$'mil)



Order book (S$'mil)

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. **Peter Sim Swee Yam**

Non-Executive and Independent 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.

6. **Gan Lai Chiang**

Non-Executive and Independent 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.

7. **David Tan Chao Hsiung**

Non-Executive and Independent Director

David Tan was appointed a non-executive director on 1 October 2012. He has over 20 years of senior management experience in the banking and finance industry and has held positions in both local and foreign financial institutions.

Currently, he is the Executive Director of Omega Capital Pte Ltd. He holds a Master in Commerce (specialising in Finance) from the University of New South Wales and a Bachelor of Economics from Macquarie University. He is also a Fellow of the Institute of CPA (Australia).

Dr Lau Teik Soon

Proposed Non-Executive and Independent Director

Dr. Lau is currently a sole proprietor in Lau Teik Soon & Associates, a firm of advocates and solicitors in Singapore and has been in legal practice since 1998. He has been involved in various areas of practice, including construction law and is experienced in dealing with insurance and contract claims in the construction industry.

Dr. Lau holds a Doctor of Philosophy degree in International Relations (Australian National University), Bachelor of Arts, Honours (University of Singapore), Bachelor of Laws, Honours (University of London), and Barrister at Law (Lincoln's Inn). He is also a member of the Chartered Institute of Arbitrators in London.

Dr Lau has served as a Director in TMC Education Corporation Pte Ltd from 2006 to 2010 and currently sits on the Boards of Hock Lian Seng Holdings Limited and Ryobi Kiso Holdings Ltd since 2009.

Corporate Governance

INTRODUCTION

The Board of Directors (the "Board") is committed to ensuring that the highest standards of corporate governance are practiced throughout Mun Siong Engineering Limited (the "Company") and its subsidiaries (the "Group"), as a fundamental part of its responsibilities to protect and enhance shareholders' value and the financial performance of the Group. In this respect, the Company adopts the practices based on the principles and guidelines as set out in the Code of Corporate Governance 2005 (the "2005 Code"). In May 2012, the Monetary Authority of Singapore ("MAS") issued the revised Code of Corporate Governance (the "2012 Code"). While the 2012 Code will be applicable for the financial year beginning after 1 November 2012. The Group had elected early adoption of certain charges in the 2012 Code where practicable for the financial year ended 31 December 2012.

This report describes the Group's corporate governance practices and structures that were in place during the financial year ended 31 December 2012 with specific reference to the 2012 Code.

(A) BOARD MATTERS

The Board's Conduct of its Affairs

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

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

- Providing entrepreneurial leadership, set strategic aims, and ensuring the necessary financial and human resources are in place for the Group to meet its objectives;

- Establishing a framework of prudent and effective controls which enables risk to be assessed and managed, including safeguarding of shareholders' interests and the Group's assets;

- Reviewing management's performance;

- Identify the key stakeholder groups and recognize that their perceptions affect the Group's reputation;

- Setting the Group's values and standards (including ethical standards), and ensuring that obligations to shareholders and others are understood and met;

- Consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation;

- Overseeing internal control processes, financial reporting and compliance, including the release of financial results and announcements of material transactions; and

- Review and endorse corporate policies in keeping up with good corporate governance and business practice.

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

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

(A) BOARD MATTERS (Continued)

The Board's Conduct of its Affairs (Continued)

The Board will meet at least four times a year. Fixed and optional meetings are scheduled at the start of each year and optional meetings convened as scheduled only when there are matters requiring the Board's decision at the scheduled time. Ad hoc meetings are called when there are pressing matters requiring the Board's consideration and decision in between the scheduled meetings.

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

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

	Board of directors			Audit Committee			Nominating 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 Directors												
Cheng Woei Fen	C	4	4	NA	4	4[#]	NA	2	2[#]	NA	2	2[#]
Quek Chiau Liong	M	4	4	NA	4	4[#]	NA	2	2[#]	NA	2	2[#]
Lin Yan	M	4	3	NA	4	3[#]	NA	2	2[#]	NA	2	2[#]
Lim Choon Wah	M	4	3	NA	4	3[#]	NA	2	2[#]	NA	2	2[#]
Non-Executive Directors												
Gan Lai Chiang	M	4	4	C	4	4	M	2	2	M	2	2
Peter Sim Swee Yam	M	4	4	M	4	4	M	2	2	C	2	2
David Tan Chao Hsiung[1]	M	1	1	M	1	1	C	-	-	M	-	-
Tan Chee Meng[2]	M	2	-	M	2	-	M	1	-	M	1	-

[#] *By invitation*

[1]*Appointed on 1 October 2012*
[2]*Resigned on 16 July 2012*

A formal letter is provided to each director upon his appointment, setting out the director's duties and obligations. The Company also conducts an orientation programme for new directors to familiarise them with the business activities of the Group, its strategic direction and corporate governance practices. To keep pace with new laws, regulations, changing commercial risks and accounting standards, all directors are encouraged to attend, at the Company's expense, relevant 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.

Board Composition and Guidance

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

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

(A) BOARD MATTERS (Continued)

Board Composition and Guidance (Continued)

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

The Audit, Nominating and Remuneration committees are chaired by and comprise non-executive and independent directors. 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	9 April 2012
Quek Chiau Liong*	Executive Director and Managing Director	28 June 1993	18 April 2011
Lin Yan	Executive Director	13 February 2009	18 April 2010
Lim Choon Wah	Executive Director	1 October 2009	9 April 2012
Gan Lai Chiang^	Non-Executive and Independent Director	11 October 2010	9 April 2012
Peter Sim Swee Yam	Non-Executive and Independent Director	11 October 2010	18 October 2010
David Tan Chao Hsiung	Non-Executive and Independent Director	1 October 2012	NA

* Quek Chiau Liong is the stepson of Cheng Woei Fen.

^ Gan Lai Chiang is the Lead Independent Director.

A brief 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 working experience in areas such as accounting and finance, business and management and legal relevant to the Group and its industry.

The Board reviews the size and composition of the Board on an annual basis to ensure that both aspects continue to meet the needs of the Group. The Nominating Committee determines the independence of each Director annually based on the definitions and guidelines of independence set out in the 2012 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. As non-executive and independent directors make up almost half of the Board and together with Board's decisions undertaken on an unanimous basis, 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 non-executive and independent directors of the calibre necessary to carry sufficient weight in Board's decisions. Although all the directors have an equal responsibility for the Group's operations, the role of these non-executive and independent directors is particularly important in ensuring that the strategies proposed by management are constructively challenged, fully discussed and examined, and take account of the long term interests, not only of the shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business. The non-executive and independent directors also review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.

(A) BOARD MATTERS (Continued)

Board Composition and Guidance (Continued)

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

Whilst the Company is controlled by major shareholders, the interest of minority shareholders is fairly represented through the representation of the non-executive and independent directors.

Chairman and Managing Director

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

The roles of the Chairman and Managing Director are separated to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making.

The Chairman, Cheng Woei Fen, whom is also an executive director, is responsible for leading the Board and facilitating its effectiveness. She promotes high standards of corporate governance on the Board and within the Group.

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

During the Board meeting, the Chairman will ensure that adequate time is available for discussion of all agenda items, in particular strategic issues. The Chairman monitors communications and relations between the Company and its shareholders, between the Board and management, and between the non-executive and executive directors, with a view to encouraging a culture of openness, constructive relations and dialogue amongst them. The Chairman works to facilitate the effective contribution of non-executive and independent 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 2012 Code, the Board has appointed Gan Lai Chiang, a non-executive and independent 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.

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

(A) BOARD MATTERS (Continued)

Board Membership

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

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

David Tan Chao Hsiung (Chairman)
Peter Sim Swee Yam
Gan Lai Chiang

The Nominating Committee held two meetings during the financial year. The Chairman of the Nominating Committee and all its members are considered independent as described under the 2012 Code. Gan Lai Chiang, who is the Lead Independent Director, is also a member of the Nominating Committee.

The Nominating 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 Nominating Committee identifies the key attributes that an incoming director should have, based on a matrix of the attributes of the existing Board and the requirements of the Group. After endorsement by the Board of the key attributes, the Nominating Committee taps on the resources of directors' personal contacts and recommendations of potential candidates, and goes through a short listing process. If candidates identified from this process are not suitable, executive recruitment agencies may be appointed to assist in the search process. Interviews are set up with potential candidates for Nominating Committee members to assess them, before a decision is reached;

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

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

   The Nominating Committee is satisfied that sufficient time and attention are being given by the directors to the affairs of the Group, notwithstanding that some of the directors have other board representations, 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 Nominating Committee. At the same time the Nominating Committee has recommended to the Board, as a guide that non-executive and independent directors should limit their other board representations to six including that of the Company.

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

(A) BOARD MATTERS (Continued)

Board Performance

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

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

The assessment utilizes a confidential questionnaire, covering areas such as Board composition, Board processes managing the Group's performance, and the effectiveness of the Board in its monitoring role. The questionnaire is completed by members of the Nominating Committee. 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.

The assessment of individual directors is done through peer-assessments, 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 Nominating 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.

Pursuant to Article 98 of the Company's Articles of Association, at least one-third of the Board is due to retire via rotation at each Annual General Meeting ("AGM"). Accordingly, Peter Sim Swee Yam and Quek Chiau Liong are the two directors retiring via rotation at the forthcoming AGM. David Tan Chao Hsiung, a director appointed by the Board during the year, will retire at the forthcoming AGM pursuant to Article 102. All three directors are eligible and had consented for re-election. The Nominating Committee, after due evaluation of their performance and contributions, has recommended these 3 retiring directors for re-election at the forthcoming AGM.

Further, as clarified in the announcement on 31 August 2012, the Nominating Committee has also recommended the appointment of Dr Lau Teik Soon as a director under Section 153(6) of the Companies Act for shareholders' approval at the forthcoming AGM. Please refer to the section on "Board of Directors" in this annual report for the profile and information on Dr Lau. Upon being duly appointed at the forthcoming AGM, Dr Lau will be considered a non-executive and independent director.

Access to Information

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

All directors receive a set of Board papers prior to the Board meeting. This is generally issued to them at least seven days prior to the meeting with 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 may include, among others, the following documents and details:

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

(A) BOARD MATTERS (Continued)

Access to Information (Continued)

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

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

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

All directors have separate and independent access to the advice and services of the Company 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 Nominating 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 and independent directors, advising the Board on all governance matters, as well as facilitating orientation and assisting with professional development as required.

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

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

Remuneration Committee

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

Peter Sim Swee Yam (Chairman)
David Tan Chao Hsiung
Gan Lai Chiang

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

(B) REMUNERATION MATTERS (Continued)

Remuneration Committee (Continued)

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

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

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

Level and Mix of Remuneration

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

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

Besides providing competitive remuneration, the Group also provides opportunities for key executives to own shares in the paid up share of companies within the Group. This is to allow such key executives to align their long term interest to the Group and consequently creating value for shareholders. In December 2012, the Company announced the sale of shares amounting to 3% of Wing Wah Industrial Services Pte Ltd ("Wing Wah") to its deputy managing director, Tan Kim Liang, Alex, whom has been Wing Wah's executive director since he first joined the company in 2009. Wing Wah's main business is in the servicing and maintenance of rotating equipment used in the process industry.

The Chairman and Managing Director (both whom are executive directors) have service contracts. Their compensations consist of salary, bonuses and profit sharing arrangement which is based on the Group's financial performance. The profit sharing arrangement is to align their interests with those of the shareholders and link rewards to corporate's and individual's performance. The service contracts are for a period of three years. The Remuneration Committee is of the view that the service contracts are not excessively long.

The remuneration package of key executives comprises fixed component, variable component and benefits. The Company subscribes to linking executive remuneration to corporate (with the emphasis on enhancing shareholders' value and long-term success of the Group) and individual performance based on 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) REMUNERATION MATTERS (Continued)

Level and Mix of Remuneration (Continued)

(b) Variable Component

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

(c) Benefits

Benefits provided are consistent with market practice and include medical benefits, flexible benefits and 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 and independent directors are considered when determining their level of fees. The compensation should be appropriate and not excessive to the extent that the independence could be compromised.

Disclosure on Remuneration

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

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

Cheng Woei Fen and Quek Chiau Liong have both entered into a service contract with the Company since 2010. Their service contract is renewable every three years. A substantial portion of their remunerations (in dollar terms) are in the form of variable or performance related bonuses. The variable or performance related bonuses are calculated as a percentage of the Group's profitability, with the percentage increasing along with profitability. This is to align their interest to that of shareholders.

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

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

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

(B) REMUNERATION MATTERS (Continued)

Disclosure on Remuneration (Continued)

Remuneration table

	Remuneration (round off to the nearest thousand dollars) $'000	Breakdown in percentage Base/fixed salary %	Director's fees %	Variable or performance-related income/ bonuses %	Benefits in kind %	Total %
Directors						
Cheng Woei Fen	447	50.5	-	27.1	22.4	100.0
Quek Chiau Liong	411	47.0	-	28.6	24.4	100.0
Lin Yan	284	49.5	-	30.4	20.1	100.0
Lim Choon Wah	301	50.4	-	29.6	20.0	100.0
Gan Lai Chiang	45	-	100.0	-	-	100.0
Peter Sim Swee Yam	40	-	100.0	-	-	100.0
David Tan Chao Hsiung	10	-	100.0	-	-	100.0
Top 5 key management personnel						
Below $250,000						
Chong Siew Lian[1]		83.3	-	12.8	3.9	100.0
Lim Boon Kiang[1]		82.7	-	15.0	2.3	100.0
Lim Fung Suan[1]		86.7	-	-	13.3	100.0
Tan Kim Liang, Alex[1]		84.6	-	6.2	9.2	100.0
Wei Qian[1]		77.2	-	16.8	6.0	100.0

[1] The total remuneration for the top key 5 management personnel is $640,000.

The Group's significant lower profits in FY2012, resulted in a substantial reduction in the dollar amount paid in form of variable or performance related bonuses to Cheng Woei Fen and Quek Chiau Liong.

There is no employee who is an immediate family member of a director whose remuneration exceeds S$50,000 during the year under review.

The aggregate remuneration paid to employees who are immediate family members of the Chairman and Managing Director was approximately S$82,000 for the financial year.

(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 (the "SFRS") prescribed by the Accounting Standards Council. The Board provides shareholders with quarterly and annual reports, and releases its quarterly and full year financial results through announcements 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.

(C) ACCOUNTABILITY AND AUDIT ACCOUNTABILITY (Continued)

On 23 July 2012, when it came to the Board attention that the first six months financial performance was affected by lower business activity, rising operating costs, as well as margins driven by keen competition, a profit guidance statement was given to investors and shareholders via an announcement on the SGX-ST.

Risk Management and Internal Controls

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

The Group is in the process of considering setting up a separate committee for the governance of risk management framework and policies and ensuring the adequacy of risk management. Currently the key framework and policies on risk management are summarised as follow:

Contract pricing and operational risks

Contract pricing risk is the potential loss associated with tendering at prices below the cost of carrying out a project or a maintenance contract. The Group mitigates this risk by putting in place a stringent control process. The tender proposal is first drawn up by the Contracts Department and tabled for discussion with the tender evaluation team, whom is also the project execution team. The final tender proposal is then submitted to the Chairman and Managing Director for their approval prior to submission to the client.

Operational risk relates to the costs of not being able to complete a project or work on time. The Group aims to reduce this risk by holding regular meetings where the status of the projects or work are discussed and potential issues are being raised and discussed.

Safety risk

The Group operates in an industry that safety ranks as one of its top priorities by its customers. In order to reduce Safety risk, the Group has a safety committee that ensures that the Group meets the safety requirements imposed by its customers. The safety procedures of the Group are further audited periodically by an external body. The Group also provides training to its staff regularly on safety procedures at work site.

Information system risk

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

Foreign currencies risk

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

Market concentration risk

The Group is currently dependent on Singapore for its source of revenue. The Group's main customers are from the process industry which in turn, is dominated by a small number of big multi-national players. Majority of these multi-national companies are key customers of the Group. The Group tries to reduce the market risk by maintaining its long-term relationships with these customers. The Group also tries to reduce its Market concentration risk by diversifying its source of revenue. The Group acquired 80% per cent interest in Wing Wah, whose main business is in the servicing and maintenance of rotating equipment used in the process industry. On 1 January 2013, the Group further increased its interest in Wing Wah to 97%, after a 3% sale of shares to its managing director. The Group will continue to seek business opportunities in overseas markets and widen its range of services so as to widen its customer base and to reduce its dependence on the Singapore economy.

(C) ACCOUNTABILITY AND AUDIT ACCOUNTABILITY (Continued)

Risk Management and Internal Controls (Continued)

Human resource risk

The Group is a service provider and is dependent on its human resource to achieve profitability and retain customers. The Group faces risk of not being able to retain its pool of human resource. In order to retain its pool of human resource and attract new talent, it provides staff with training to upgrade skills and offers competitive remuneration.

Assurances from the Chairman and Chief Financial Officer:

In addition, the Board has received assurances from both the Chairman and the Chief Financial Officer:

- that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- that the Group's risk management and internal control systems is effective.

Audit Committee

Principle 12: 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 non-executive and independent directors:

Gan Lai Chiang (Chairman)
Peter Sim Swee Yam
David Tan Chao Hsiung

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

The Audit Committee held four 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 some of the meetings.

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-ST listed company. Mr Sim has relevant experience from his involvement in the various committees of the SGX-ST listed companies that he held directorships as well as management experience from his own legal practice. Mr Tan, who is currently a board member of another SGX-ST listed company, is an accountant by training and has working experience in capital markets transactions. He has in the past, served in a number of SGX-ST listed companies board of directors (both Catalist and main board) and holds offices of audit committee chairman, lead independent director and chairman of the executive committee.

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 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;

(C) ACCOUNTABILITY AND AUDIT ACCOUNTABILITY (Continued)

Audit Committee (Continued)

- Reviewing and reporting to the Board annually the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance controls and information technology controls;
- Reviewing the effectiveness of the Group's internal audit function;
- Reviewing the scope, approach and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors;
- Reviewing the nature and extent of the external auditors' non-audit services to the Group as well as the extent of reliance placed by the external auditors on the internal auditor's work, seeking to balance the maintenance of objectivity and value for money;
- Making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- Reviewing 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 external auditors.

During the various meetings that the Audit Committee have with the external auditors and the Company's Chief Financial Officer, members of the Audit Committee are briefed by them on the various accounting standards that affect the Group's financial reporting.

Auditors' independence

The Audit Committee is satisfied with the independence and objectivity of the external auditors and recommends 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.

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	110,000	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.

(C) ACCOUNTABILITY AND AUDIT ACCOUNTABILITY (Continued)

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.

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

Internal Audit

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

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

Nexia TS Risk Advisory Pte. Ltd is the internal auditor for the Group (the "Internal Auditor"). The Internal Auditor reports directly and primarily to the Chairman of the Audit Committee with administrative reporting to the Chairman. The appointment, removal, evaluation and compensation of the Internal Auditor is decided by the Audit Committee.

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

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

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

(C) ACCOUNTABILITY AND AUDIT ACCOUNTABILITY (Continued)

Material Contracts (Continued)

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

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

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights and Communication with Shareholders

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

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

All shareholders of the Company receive the Annual Report and Notice of AGM yearly. The AGM is the principal forum for dialogue with shareholders. The Articles of Association of the Company also provides for the appointment of proxies to attend the meeting in his or her stead and the proxies need not be shareholders of the Company.

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

Besides the AGMs, the Group believes in regular, effective and fair communication with its shareholders and is committed to hearing shareholders' views and addressing their concerns where possible. The Group has an investor relations team which attends to their queries or concerns.

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

SHAREHOLDER RIGHTS AND RESPONSIBILITIES (Continued)

Shareholder Rights (Continued)

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

Currently, the Company does not maintain a dividend policy. The amount of dividend paid is subject to financial performance of the Group and availability of excess funds (after taking into consideration capital expenditure and working capital requirements). For the financial year ended 31 December 2012, the Company has declared, subject to shareholder's approval at a general meeting, a final dividend per share of 0.15 cents, tax exempted (one-tier).

Conduct of Shareholder Meetings

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

The Group believes in encouraging shareholder participation at general meetings. A shareholder who is entitled to attend and vote, may either vote in person or in absentia through the appointment of one or more proxies. The Company's 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.

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

At each Annual General Meeting, the members of the Board avail themselves and encourage shareholders to participate in the question and answer session. The external auditors are present to address shareholders' queries on the conduct of the audit and the preparation and content of the auditor's report. The Chairpersons of the Audit, Nominating and Remuneration Committees, or members of the respective Committees standing in for them, are present at each AGM, 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.

DEALINGS IN SECURITIES

The Group has adopted an internal code on securities trading which provides guidance and internal regulation with regards to dealings in the Company's securities by its directors and officers. The Group's internal code prohibits its directors and officers from dealing in listed securities of the Company 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 Company's securities on short-term considerations.

Use of IPO proceeds

The proceeds raised from the Company's IPO, after deducting listing expenses of approximately S$2.5 million was approximately S$18.5 million. As at the date of this annual report, the Company has utilized its proceeds as follows:

Purpose	Amount raised S$'000	Change of use S$'000	Amount utilised S$'000	Balance amount S$'000
To establish a regional presence	4,000	-	(201)	3,799
To establish an engineering design center and upgrade of existing database management system	1,000	-	(492)	508
Widening the range of services available to our customers	12,500	(7,709)	(4,791)	-
Working capital	1,400	7,709	(1,504)	7,605
Total	**18,900**	**-**	**(6,988)**	**11,912**

The Company has on 20 November 2012 announced on the SGXNET that it will defer its plans to further expand it range of services in light of negative sentiments in the process industry. The remaining funds of S$7.7 million earmark for this purpose will be utilized as working capital.

Directors' Report

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 2012.

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
Gan Lai Chiang
Peter Sim Swee Yam
David Tan Chao Hsiung (appointed on 1 October 2012)

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/date of appointment	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	199,284,000	199,284,000	48,280,000	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	–	–
Peter Sim Swee Yam	100,000	100,000	–	–
David Tan Chao Hsiung	–	–	–	–

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 of the financial year, or date of appointment if later, or at the end of the financial year.

There were no changes in any of the abovementioned interest in the Company between the end of the financial year and 21 January 2013.

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

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

Share options

During the financial year, there were:

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

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

As at the end of the financial year, there were no unissued shares of the Company or any of its 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 Yan, non-executive director
- David Tan Chao Hsiung, non-executive director

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

The Audit Committee held four meetings since the last directors' 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 (cont'd)

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

15 March 2013

Statement by Directors

In our opinion:

(a) the financial statements set out on pages 32 to 73 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 2012 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

15 March 2013

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 2012, 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 32 to 73.

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 (cont'd)

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 2012 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
15 March 2013

Statements of Financial Position

As at 31 December 2012

	Note	Group 2012 $	Group 2011 $	Company 2012 $	Company 2011 $
Assets					
Property, plant and equipment	4	19,999,714	15,816,029	19,483,491	15,370,122
Goodwill on consolidation	5	1,635,980	1,635,980	–	–
Investment properties	6	1,540,000	3,080,000	1,220,000	960,000
Subsidiaries	7	–	–	3,446,000	3,446,000
Jointly controlled entity	8	17,515	11,174	17,515	100,000
Deferred tax asset	9	225,685	–	–	–
Total non-current assets		23,418,894	20,543,183	24,167,006	19,876,122
Inventories	10	8,522,701	1,806,902	5,936,023	1,629,950
Trade and other receivables	12	18,407,802	17,144,204	16,188,142	14,043,595
Current tax recoverable		97,692	–	97,692	–
Cash and cash equivalents	13	12,441,968	23,405,962	6,757,354	16,220,292
Total current assets		39,470,163	42,357,068	28,979,211	31,893,837
Total assets		62,889,057	62,900,251	53,146,217	51,769,959
Equity					
Share capital	14	24,528,000	24,528,000	24,528,000	24,528,000
Retained earnings		23,436,598	24,571,298	12,878,443	15,387,173
Total equity attributable to owners of the Company		47,964,598	49,099,298	37,406,443	39,915,173
Non-controlling interests		499,800	453,008	–	–
Total equity		48,464,398	49,552,306	37,406,443	39,915,173
Liabilities					
Loans and borrowings	15	2,285,628	84,795	2,284,992	–
Deferred tax liabilities	9	1,258,675	1,465,686	1,215,675	1,430,000
Total non-current liabilities		3,544,303	1,550,481	3,500,667	1,430,000
Trade and other payables	16	9,806,562	10,531,047	11,445,378	10,384,922
Loans and borrowings	15	888,999	624,910	793,729	31,578
Current tax payable		184,795	641,507	–	8,286
Total current liabilities		10,880,356	11,797,464	12,239,107	10,424,786
Total liabilities		14,424,659	13,347,945	15,739,774	11,854,786
Total equity and liabilities		62,889,057	62,900,251	53,146,217	51,769,959

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

Consolidated Statement of Comprehensive Income

Year ended 31 December 2012

	Note	2012 $	2011 $
Revenue	17	73,080,572	66,419,100
Cost of sales		(66,420,644)	(53,890,203)
Gross profit		6,659,928	12,528,897
Other income	18	1,104,781	1,452,136
Administrative expenses		(6,546,494)	(6,723,862)
Other expenses		(4,111)	(25,570)
Results from operating activities		1,214,104	7,231,601
Finance costs	19	(20,489)	(52,556)
Share of results of jointly controlled entity (net of tax)		6,341	(88,826)
Profit before income tax	20	1,199,956	7,090,219
Income tax credit/(expense)	21	212,384	(652,125)
Profit for the year/Total comprehensive income for the year		1,412,340	6,438,094
Profit attributable to:			
Owners of the Company		1,365,548	6,326,423
Non-controlling interests		46,792	111,671
Profit for the year/Total comprehensive income for the year		1,412,340	6,438,094
Earnings per share			
Basic earnings per share (cents)	22	0.33	1.52
Diluted earnings per share (cents)	22	0.33	1.52

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

Consolidated Statement of Changes in Equity

Year ended 31 December 2012

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	14	–	(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

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

Consolidated Statement of Changes in Equity (cont'd)

Year ended 31 December 2012

Group	Note	Share capital $	Retained earnings $	Total attributable to owners of the Company $	Non-controlling interests $	Total $
At 1 January 2012		24,528,000	24,571,298	49,099,298	453,008	49,552,306
Total comprehensive income for the year						
Profit for the year		-	1,365,548	1,365,548	46,792	1,412,340
Total comprehensive income for the year		-	1,365,548	1,365,548	46,792	1,412,340
Transactions with owners, recorded directly in equity						
Distributions to owners						
Dividends	14	-	(2,500,248)	(2,500,248)	-	(2,500,248)
Total transactions with owners		-	(2,500,248)	(2,500,248)	-	(2,500,248)
At 31 December 2012		24,258,000	23,436,598	47,964,598	499,800	48,464,398

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

Consolidated Statement of Cash Flows

Year ended 31 December 2012

	Note	2012	2011
		$	$
Cash flows from operating activities			
Profit before income tax		1,199,956	7,090,219
Adjustments for:			
Depreciation of property, plant and equipment		2,877,117	2,838,010
Share of (profit)/loss in jointly controlled entity		(6,341)	88,826
Interest expense		20,489	52,556
Loss on disposal of subsidiary's investment in a jointly controlled entity		–	22,498
Property, plant and equipment written-off		2,043	5,003
Net (gain)/loss on disposal of property, plant and equipment		(104,835)	1,192
Net change in fair value of investment properties		(260,000)	(660,000)
Interest income		(63,030)	(53,409)
		3,665,399	9,384,895
Changes in inventories		(6,716,585)	3,598,723
Changes in trade and other receivables		(1,263,598)	(2,994,203)
Changes in trade and other payables		(724,485)	1,299,726
Cash (used in)/generated from operating activities		(5,039,269)	11,289,141
Income tax paid		(774,716)	(1,267,237)
Net cash (used in)/generated from operating activities		(5,813,985)	10,021,904
Cash flows from investing activities			
Interest received		63,030	53,409
Acquisition of a subsidiary, net of cash	24	–	(2,081,445)
Proceeds from disposal of property, plant and equipment		204,427	24,205
Proceeds from disposal of an investment property		1,800,000	–
Acquisition of property, plant and equipment		(3,834,375)	(2,598,728)
Net cash used in investing activities		(1,766,918)	(4,602,559)
Cash flows from financing activities			
Proceeds from borrowings		–	500,000
Repayment of loans and borrowings		(862,354)	(1,314,348)
Dividend paid		(2,500,248)	(4,167,080)
Interest paid		(20,489)	(52,556)
Net cash used in financing activities		(3,383,091)	(5,033,984)
Net (decrease)/increase in cash and cash equivalents		(10,963,994)	385,361
Cash and cash equivalents at 1 January		23,405,962	23,020,601
Cash and cash equivalents at 31 December	13	12,441,968	23,405,962

Significant non-cash transaction

The Group acquired property, plant and equipment amounting to $7,161,651 (2011 : $2,598,728) of which each payment of approximately $3,834,375 (2011 : $2,598,728) were made to purchase these assets and the balance of approximately $3,327,276 (2011 : $nil) were acquired by means of finance leases.

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

Notes to the Financial Statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 15 March 2013.

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 consolidated financial statements of the Company as at and for the year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interests in a jointly controlled entity.

The principal activities of the Company are those of mechanical engineering service provider and investment holding company. The principal activities of the subsidiaries are set out in note 7 to the consolidated financial statements.

2 Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities which are measured at fair value.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

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 in 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

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.

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.

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 entities (equity-accounted 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.

3 Significant accounting policies (Continued)

3.1 Basis of consolidation (Continued)

Investments in jointly controlled entities (equity-accounted investee) (Continued)

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.

3.2 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 translation are recognised in profit or loss.

3 Significant accounting policies (Continued)

3.3 Property, plant and equipment

Recognition and measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour. 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/other expenses 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.

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 Significant accounting policies (Continued)

3.4 Goodwill

Goodwill that arises upon the acquisition of subsidiaries 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.

3.6 Leased assets

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

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

3 Significant accounting policies (Continued)

3.7 Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.8 Contract work-in-progress

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

Contract work-in-progress is presented as part of inventories in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as deferred income under trade and other payables 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 which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. 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.

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.

3 Significant accounting policies (Continued)

3.9 Financial instruments (Continued)

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 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.

Share capital

Ordinary shares

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

3.10 Impairment

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.

3 Significant accounting policies (Continued)

3.10 Impairment (Continued)

Non-derivative financial assets (Continued)

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, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or 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.

3 Significant accounting policies (Continued)

3.10 Impairment (Continued)

Non-financial assets (Continued)

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

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

3.12 Lease payments

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

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

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

3.13 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.

3 Significant accounting policies (Continued)

3.13 Revenue (Continued)

Maintenance revenue

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

Rental income

Rental income from investment property is recognised in 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.

3.14 Finance costs

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

3.15 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. 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)

3.15 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.

3.16 Government grants

Government grants received are recognised as income upon receipt.

3.17 Earnings per share

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

3.18 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 segments and to assess their performance, and for which discrete financial information is available.

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

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

3.19 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 2012, 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	Note	Leasehold property	Machinery, tools and equipment	Furniture and office equipment	Motor vehicles	Other assets	Total
		$	$	$	$	$	$
Cost							
At 1 January 2011		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	24	1,200,000	117,057	63,692	65,745	–	1,446,494
Reclassification to investment properties	6	(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
Additions		1,238,761	4,590,401	319,472	970,525	42,492	7,161,651
Transfer		52,250	–	(52,250)	–	–	–
Disposals/Write-off		–	(394,075)	(7,207)	(217,933)	–	(619,215)
At 31 December 2012		7,525,458	20,266,093	2,668,987	5,964,219	642,936	37,067,693
Accumulated depreciation							
At 1 January 2011		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
Depreciation charge for the year		587,548	1,390,337	246,808	573,423	78,215	2,876,331
Transfer		9,579	–	(9,579)	–	–	–
Disposals/Write-off		–	(315,837)	(5,811)	(195,932)	–	(517,580)
At 31 December 2012		2,338,949	8,284,068	1,061,049	4,975,147	408,766	17,067,979
Carrying amounts							
At 1 January2011		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
At 31 December 2012		5,186,509	11,982,025	1,607,938	989,072	234,170	19,999,714

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 2011	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
Additions	1,374,806	4,580,701	319,474	475,003	42,492	6,792,476
Transfer	52,250	–	(52,250)	–	–	–
Disposals/Write-off	–	(382,205)	–	–	–	(382,205)
At 31 December 2012	7,661,503	19,770,771	2,365,967	5,167,993	507,165	35,473,399
Accumulated depreciation						
At 1 January 2011	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
Depreciation charge for the year	586,912	1,323,880	205,426	413,019	72,869	2,602,106
Transfer	9,579	–	(9,579)	–	–	–
Disposals/Write-off	–	(305,204)	–	–	–	(305,204)
At 31 December 2012	2,338,313	7,922,959	792,441	4,667,014	269,181	15,989,908
Carrying amounts						
At 1 January 2011	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
At 31 December 2012	5,323,190	11,847,812	1,573,526	500,979	237,984	19,483,491

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 on property, plant and equipment whenever there is objective evidence that the assets are impaired.

Leased motor vehicles and machinery, tools and equipment

The Group leases motor vehicles and machinery, tools and equipment under a number of finance lease agreements. At 31 December 2012, the net carrying amount of leased motor vehicles and machinery, tools and equipment was $ 3,494,362 (2011: $40,179).

Depreciation capitalised in contract work-in-progress

Depreciation of property, plant and equipment of the Group and the Company amounting to $4,441 and $3,140 (2011: $5,227 and $2,090) has been capitalised in contract work-in-progress, respectively.

4 Property, plant and equipment (Continued)

Security

In the previous year, the leasehold property of the Group and the Company with carrying amount of $4,492,625 was mortgaged to a bank to secure banking facilities of the Group and the Company.

5 Goodwill on consolidation

	Note	Group 2012 $	Group 2011 $
At 1 January		1,635,980	1,001,330
Acquisition through business combination	24	–	634,650
At 31 December		1,635,980	1,635,980

The carrying values of the Group's goodwill on consolidation of subsidiaries were assessed for impairment for the financial year ended 31 December 2012. 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 and maintenance contracts as well as historical trend for a one-year (2011: three-year) time horizon. The anticipated annual revenue growth included in the cash flow projections in the second and third year of the forecast period was approximately 7.9% and 6.8% for the electrical and instrumentation and rotating equipment cash-generating units, respectively. Management believes that this forecast period was justified due to the short to medium-term nature of the projects and the average growth levels experienced over the last five years.

- A post-tax discount rate of 4.92% (2011: 5.2%) 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

	Note	Group 2012 $	Group 2011 $	Company 2012 $	Company 2011 $
At 1 January		3,080,000	1,220,000	960,000	920,000
Changes in fair value		260,000	660,000	260,000	40,000
Disposal		(1,800,000)	–		–
Reclassification from property, plant and equipment	4	–	1,200,000	–	–
At 31 December		1,540,000	3,080,000	1,220,000	960,000

As at 31 December 2012, investment properties are stated at fair value based on valuations performed by an independent professional valuer, Asian Appraisal Company Private Limited. In determining the fair value, the valuers have used valuation techniques which involve certain estimates. In relying on the valuation reports, management has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of current market conditions. The valuation reports were prepared in accordance with recognised appraisal and valuation standards. The estimates underlying the valuation techniques in the next financial year may differ from current estimates, which may result in valuations that may be materially different from the valuations as at the reporting date.

6 Investment properties (Continued)

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

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

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

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

	Tenure	Existing use
151 Chin Swee Road, #08-07 Manhattan House, Singapore 169876	99	Rental property
151 Chin Swee Road, #08-14 Manhattan House, Singapore 169876	99	Rental property
27A Jurong Port Road, Blk 6, #01-12, Singapore 619101	30	Rental property

Security

At 31 December 2012, none of the investment properties of the Group and Company (2011: $840,000 and $520,000) are pledged as security to secure the bank facilities of the Group and Company.

7 Subsidiaries

	Company	
	2012	2011
	$	$
Unquoted equity investments, at cost	3,446,000	3,446,000

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity held by the Company	
			2012	2011
			%	%
OHM Engineering Pte Ltd [1]	Mechanical and electrical engineering services	Singapore	100	100
MSE Investment Pte. Ltd. [2]	Investment holding of overseas joint venture companies	Singapore	100	100
Wing Wah Industrial Services Pte Ltd [3]	Mixed construction activities, manufacturing activities and process plant engineering services	Singapore	80	80

1 Audited by KPMG LLP.
2 Not required for an audit as the company is dormant since its incorporation on 5 January 2011.
3 Audited by KPMG LLP for the financial year ended 31 December 2012. The subsidiary was audited by Paul Wan & Co, Singapore for the financial year ended 31 December 2011.

8 Jointly controlled entity

	Group 2012 $	Group 2011 $	Company 2012 $	Company 2011 $
Investment in joint venture				
At 1 January	11,174	100,000	100,000	100,000
Share of results	6,341	(88,826)	–	–
Allowance for impairment loss	–	–	(82,485)	–
At 31 December	17,515	11,174	17,515	100,000

During the year, the Company made an allowance for impairment loss amounting to $82,485 in respect of its investment in a jointly controlled entity due to a reduction in the recoverable amount of the investment. The recoverable amount for the relevant jointly controlled entity was estimated based on the fair value of its net assets at the balance sheet date.

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 $	Total liabilities $	Revenue $	Expenses $	Profit/ (Loss) $
2012	18,903	–	18,903	(1,388)	(1,388)	33,358	(27,017)	6,341
2011	12,724	1,820	14,544	(3,370)	(3,370)	–	(88,826)	(88,826)

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 2012 %	Effective equity held by the Company 2011 %
Alliance Process Engineering & Construction Pte. Ltd.	Investment holding	Singapore	33	33

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 Deferred tax asset and liabilities

Movements in temporary differences during the year are as follows:

	At 1 January 2011	Recognised in profit or loss (see note 21)	At 31 December 2011	Recognised in profit or loss (see note 21)	At 31 December 2012
Group	**$**	**$**	**$**	**$**	**$**
Deferred tax asset					
Tax loss carry-forward	–	–	–	(225,685)	(225,685)
Deferred tax liability					
Property, plant and equipment	1,102,000	363,686	1,465,686	(207,011)	1,258,675
	1,102,000	363,686	1,465,686	(432,696)	1,032,990
Company					
Deferred tax liability					
Property, plant and equipment	1,055,000	375,000	1,430,000	(214,325)	1,215,675

10 Inventories

	Note	Group 2012	Group 2011	Company 2012	Company 2011
		$	$	$	$
Consumables		365,333	369,448	236,808	280,866
Contract work-in-progress	11	8,157,368	1,437,454	5,699,215	1,349,084
		8,522,701	1,806,902	5,936,023	1,629,950

In 2012, consumables and direct materials recognised as cost of sales amounted to $5,613,459 (2011: $4,076,256).

11 Contract work-in-progress

	Note	Group 2012 $	Group 2011 $	Company 2012 $	Company 2011 $
Costs incurred and attributable profits		21,843,586	4,673,769	13,217,297	2,107,899
Progress billings		(13,749,824)	(4,152,449)	(7,581,688)	(817,195)
		8,093,763	521,320	5,635,609	1,290,704
Comprising:					
Contract work-in-progress	10	8,157,368	1,437,454	5,699,215	1,349,084
Excess of progress billings over contract work-in-progress	16	(63,606)	(916,134)	(63,606)	(58,380)
		8,093,762	521,320	5,635,609	1,290,704

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

	Note	Group 2012 $	Group 2011 $	Company 2012 $	Company 2011 $
Depreciation of property, plant and equipment	4	4,441	5,227	3,140	2,090
Staff costs		325,452	308,381	276,315	208,898
		329,893	313,608	279,455	210,988

12 Trade and other receivables

	Group 2012 $	Group 2011 $	Company 2012 $	Company 2011 $
Trade receivables	16,522,512	15,910,571	14,499,074	13,034,443
Deposits	788,318	735,433	708,828	610,604
Other receivables	361,310	290,094	288,903	238,915
Trade and other receivables	17,672,140	16,936,098	15,496,805	13,883,962
Prepayments	735,662	208,106	691,337	159,633
	18,407,802	17,144,204	16,188,142	14,043,595

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

13 Cash and cash equivalents

	Group 2012 $	Group 2011 $	Company 2012 $	Company 2011 $
Cash at bank and on hand	7,541,968	13,523,724	3,757,354	11,220,292
Short-term fixed deposits	4,900,000	9,882,238	3,000,000	5,000,000
Cash and cash equivalents in the consolidated statement of cash flows	12,441,968	23,405,962	6,757,354	16,220,292

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

14 Share capital

	Ordinary shares 2012 No. of shares	Ordinary shares 2011 No. of shares
Company		
At 1 January and 31 December	416,708,000	416,708,000

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

Dividends

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

	Company 2012 $	Company 2011 $
Paid by the Company to owners of the Company		
0.6 cents per ordinary share to all shareholders (2011: $1.0)	2,500,248	4,167,080

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

	Company 2012 $	Company 2011 $
0.15 cents per ordinary share to all shareholders (2011: 0.6 cents)	625,062	2,500,248

14 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.

The Group's net debt to equity ratio at the end of the reporting period was as follows:

	2012 $
Total liabilities	14,424,659
Less: cash and cash equivalents	12,441,968
Net debt	1,982,691
Total equity	48,464,398
Net debt to equity ratio at 31 December	0.04

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

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

15 Loans and borrowings

	Group		Company	
	2012 $	2011 $	2012 $	2011 $
Non-current liabilities				
Secured bank loan	–	76,778	–	–
Finance lease liabilities	2,285,628	8,017	2,284,992	–
	2,285,628	84,795	2,284,992	–
Current liabilities				
Secured bank loans	–	187,780	–	–
Unsecured bank loans	87,866	421,711	–	31,578
Finance lease liabilities	801,133	15,419	793,729	–
	888,999	624,910	793,729	31,578
Total loans and borrowings	3,174,627	709,705	3,078,721	31,578

Finance lease liabilities

Finance lease liabilities were payable as follows:

Group	Future minimum lease payments 2011 $	Interest 2011 $	Principal 2011 $	Future minimum lease payments 2012 $	Interest 2012 $	Principal 2012 $
Within one year	17,687	2,268	15,419	869,533	68,300	801,133
Between one and five years	10,360	2,343	8,017	2,367,453	81,825	2,285,628
	28,047	4,611	23,436	3,236,986	150,125	3,086,761

15 Loans and borrowings (Continued)

Finance lease liabilities (Continued)

Company	Future minimum lease payments 2011 $	Interest 2011 $	Principal 2011 $	Future minimum lease payments 2012 $	Interest 2012 $	Principal 2012 $
Within one year	–	–	–	861,653	67,924	793,729
Between one and five years	–	–	–	2,366,813	81,821	2,284,992
	–	–	–	3,228,466	149,745	3,078,721

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 $
2012					
Unsecured fixed rate bank loan	SGD	5.00	2013	80,632	80,632
Unsecured fixed rate bank loan	SGD	6.02	2013	7,234	7,234
				87,866	87,866
Fixed rate finance leases	SGD	1.20	2016	3,236,886	3,086,761
				3,324,752	3,174,627
2011					
Unsecured floating rate bank loan	SGD	1.25 over lending bank's prevailing cost of fund	2013	374,999	374,999
Secured fixed rate bank loan	SGD	5.00	2013	264,558	264,558
Unsecured fixed rate bank loan	SGD	5.00	2013	31,578	31,578
Unsecured fixed 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

Company	Currency	Nominal interest rate %	Year of maturity	Face value $	Carrying amount $
2012					
Fixed rate finance lease	SGD	1.2	2016	3,228,446	3,078,721
2011					
Unsecured fixed rate bank loan	SGD	5.00	2013	31,578	31,578

15 Loans and borrowings (Continued)

In prior year, the bank loans of a subsidiary were secured as follows:

- Leasehold property of the Group and the Company as disclosed in Note 5;
- 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.

16 Trade and other payables

		Group		Company	
	Note	**2012**	**2011**	**2012**	**2011**
		$	**$**	**$**	**$**
Trade payables		6,548,923	4,996,455	6,337,908	4,588,192
Amounts due to subsidiaries:					
- trade		–	–	2,653,532	2,267,909
Other payables and accruals		3,194,033	4,618,458	2,390,332	3,470,441
Excess of progress billings over contract work-in-progress	11	63,606	916,134	63,606	58,380
		9,806,562	10,531,047	11,445,378	10,384,922

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

17 Revenue

	Group	
	2012	**2011**
	$	**$**
Contract revenue	29,998,365	15,213,019
Rendering of maintenance services	43,082,207	51,206,081
	73,080,572	66,419,100

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 the relevant professionals.

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

18 Other income

	Group	
	2012	2011
	$	$
Changes in fair value of investment properties	260,000	660,000
Rental income	238,949	221,791
Interest income	63,030	53,409
Gain on disposal of property, plant and equipment	104,835	–
Provision reversed	–	110,000
Gain on disposal of scraps	154,955	247,276
Grants received from SPRING Singapore	132,248	32,107
Others	150,764	127,553
	1,104,781	1,452,136

19 Finance costs

	Group	
	2012	2011
	$	$
Interest expenses on loans and borrowings	20,489	52,556

20 Profit before income tax

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

	Group	
	2012	2011
	$	$
Staff costs	34,205,105	30,444,328
Contribution to defined contribution plans included in staff costs	1,381,051	1,174,991
Depreciation of property, plant and equipment	2,877,117	2,838,010
Operating lease expenses	352,950	314,144
Loss on disposal of subsidiary's investment in a jointly controlled entity	–	22,498
Operating expenses arising from rental of investment properties	21,652	19,427
Audit fees paid/payable to:		
- auditors of the Company	110,000	105,000
- other auditors	–	7,000
Non-audit fees paid to auditors of the Company	6,500	9,700
Property, plant and equipment written-off	2,043	5,003
Net (gain)/loss on disposal of property, plant and equipment	(104,835)	1,192
Net foreign exchange gain	(3,356)	(5,037)

21 Income tax (credit)/expense

	Group	
	2012	2011
	$	$
Current tax expense		
Current year	154,999	585,535
Under/(Over) provided in prior years	65,313	(297,096)
	220,312	288,439
Deferred tax expense		
(Reversal)/origination of temporary differences	(432,696)	10,840
Under provided in prior year	–	352,846
	(432,696)	363,686
Total income tax expense	(212,384)	652,125

	Group	
	2012	2011
	$	$
Reconciliation of effective tax rate		
Profit before income tax	1,199,956	7,090,219
Income tax using the Singapore tax rate of 17% (2011: 17%)	203,992	1,205,337
Non-deductible expenses	17,044	118,016
Under provision in prior years	65,313	55,750
Productivity and innovation credit claims	(341,548)	(458,072)
Income not subject to tax	(157,185)	(258,597)
Others	–	(10,309)
	(212,384)	652,125

22 Earnings per share

The calculation of basic earnings per share at 31 December 2012 was based on the profit attributable to ordinary shareholders of $1,365,548 (2011: $6,326,423), and weighted average number of ordinary shares outstanding of 416,708,000 (2011: 416,708,000), calculated as follows:

	Group	
	2012	2011
	$	$
Profit attributable to ordinary shareholders	1,365,548	6,326,423
	No. of shares	**No. of shares**
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January/Weighted average number of ordinary shares at 31 December	416,708,000	416,708,000

22 Earnings per share (Continued)

At 31 December 2012, 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 2012 and 2011.

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.

- Ancillary services : 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.

The segment information provided to the Group's Executive Chairman and Managing Director for the reportable segments for the year ended 31 December 2012 and 2011 is as follows:

Business segments

2012	Mechanical $	Ancillary services $	Total $
External revenues	64,305,756	8,774,816	73,080,572
Inter-segment revenue	–	4,087,241	4,087,241
Total Revenue	64,305,756	12,862,057	77,167,813
Interest income	28,039	34,991	63,030
Interest expenses	4,741	15,748	20,489
Depreciation of property, plant and equipment	2,601,055	276,062	2,877,117
Reportable segment (loss)/profit before income tax	(68,668)	1,417,662	1,348,994
Other material non-cash item:			
- Changes in fair value of investment properties	260,000	–	260,000
Reportable segment assets	48,365,010	13,803,329	62,168,339
Investment in jointly controlled entity	17,515	–	17,515
Capital expenditure	6,792,476	369,175	7,161,651
Reportable segment liabilities	14,524,099	1,120,622	15,644,721

23 Operating segments (Continued)

2011	Mechanical $	Ancillary services $	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
Other material non-cash item:			
- Changes in fair value of investment properties	40,000	620,000	660,000
Reportable segment assets	45,552,786	15,061,305	60,614,091
Investment in jointly controlled entity	11,174	–	11,174
Capital expenditure	2,560,342	38,386	2,598,728
Reportable segment liabilities	10,416,501	3,175,433	13,591,934

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

	2012 $	2011 $
Revenues		
Total revenues for reportable segments	77,167,813	69,836,996
Elimination of inter-segment revenue	(4,087,241)	(3,417,896)
Consolidated revenue	73,080,572	66,419,100
Profit or loss		
Total profit or loss for reportable segments	1,348,994	7,180,031
Elimination of inter-segment income	(149,038)	(89,812)
Consolidated profit before income tax	1,199,956	7,090,219
Assets		
Total assets for reportable segments	62,168,339	60,614,091
Other assets	3,366,735	4,715,980
Investment in jointly controlled entity	17,515	11,174
Elimination of inter-segment assets	(2,663,532)	(2,351,182)
Other unallocated amounts	–	(89,812)
Consolidated total assets	62,889,057	62,900,251
Liabilities		
Total liabilities for reportable segments	15,644,721	13,591,934
Other liabilities	1,443,470	2,107,193
Elimination of inter-segment liabilities	(2,663,532)	(2,351,182)
Consolidated total liabilities	14,424,659	13,347,945

23 Operating segments (Continued)

Major customers

During the financial year ended 31 December 2012, revenue from three major customers of the Group totalled approximately $42,402,911 (2011: $49,256,782). 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:

	2012	2011
	$	$
Customer 1	18,636,423	19,250,473
Customer 2	14,344,280	15,706,957
Customer 3	9,422,208	14,299,352
	42,402,911	49,256,782

24 Acquisition of subsidiary

In prior year, 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 a total cash consideration of $2,000,000. Following the Acquisition, Wing Wah becomes a subsidiary of the Company.

For the six months ended 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 amounts 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

24 Acquisition of subsidiary (Continued)

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

The goodwill is attributable mainly to the skills and technical talent of Wing Wah's work force and the synergies expected to be achieved from integrating the subsidiary to the Group's existing businesses. 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.

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.

25 Financial risk management (Continued)

Credit risk

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

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. In the financial year ended 31 December 2012, approximately 58% (2011: 74%) of the Group's revenue was attributable to sales transactions with 3 customers. The Group's most significant customer accounts for $7,079,411 (2011: $13,007,037) of the carrying value of trade receivables as at 31 December 2012.

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 2012 $	Impairment losses 2012 $	Gross 2011 $	Impairment losses 2011 $
Group				
Not past due	12,889,959	–	11,120,960	–
Past due 0-30 days	3,137,027	–	4,635,973	–
Past due 31-60 days	223,660	–	133,592	–
More than 60 days	271,866	–	20,046	–
	16,522,512	–	15,910,571	–

25 Financial risk management (Continued)

Credit risk (Continued)

	Gross 2012 $	Impairment losses 2012 $	Gross 2011 $	Impairment losses 2011 $
Company				
Not past due	11,194,200	–	8,668,158	–
Past due 0-30 days	3,030,469	–	4,338,590	–
Past due 31-60 days	87,616	–	26,690	–
More than 60 days	186,789	–	1,005	–
	14,499,074	–	13,034,443	–

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.

Liquidity risk

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

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

25 Financial risk management (Continued)

Liquidity risk (Continued)

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

	Carrying amount $	Contractual cash flows $	Within 1 year $	Within 1 to 5 years $
Group				
31 December 2012				
Non-derivative financial liabilities				
Loans and borrowings	3,174,627	3,324,752	957,299	2,367,453
Trade and other payables*	9,742,956	9,742,956	9,742,956	–
	12,917,583	13,067,708	10,700,255	2,367,453
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
Company				
31 December 2012				
Non-derivative financial liabilities				
Loans and borrowings	3,078,721	3,228,466	861,653	2,366,813
Trade and other payables*	11,381,772	11,381,772	11,381,772	–
	14,460,493	14,610,238	12,243,425	2,366,813
31 December 2011				
Non-derivative financial liabilities				
Loans and borrowings	31,578	33,157	33,157	–
Trade and other payables*	10,326,542	10,326,543	10,326,543	–
	10,358,120	10,359,700	10,359,700	–

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

Market risk

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

25 Financial risk management (Continued)

Currency risk

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

	2012 United States dollars $	2011 United States dollars $
Group		
Trade and other receivables	408,781	114,757
Cash and bank balances	194,986	193,445
Trade and other payables	(460,028)	–
Net exposure	143,739	308,202
Company		
Trade and other receivables	408,781	96,357
Cash and bank balances	192,217	190,503
Trade and other payables	(387,225)	–
Net exposure	213,773	286,860

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 2011.

	Group Equity and profit or loss $	Company Equity and profit or loss $
31 December 2012		
United States dollars	(14,374)	(21,377)
31 December 2011		
United States dollars	(30,820)	(28,686)

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	
	2012	2011
Group	$	$
Fixed rate instruments		
Bank loans	(87,866)	(311,270)
Finance lease liabilities	(3,086,761)	(23,436)
	(3,174,627)	(334,706)
Variable rate instruments		
Cash and cash equivalents	12,419,869	23,378,385
Bank loan	–	(374,999)
	12,419,869	23,003,386
Company		
Fixed rate instruments		
Finance lease liabilities	(3,078,721)	–
Bank loan	–	(31,578)
	(3,078,721)	(31,578)
Variable rate instruments		
Cash and cash equivalents	6,742,794	16,207,099

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 2011.

	Group		Company	
	Profit or loss		Profit or loss	
	100 bp Increase	100 bp Decrease	100 bp Increase	100 bp Decrease
Group and Company	$	$	$	$
31 December 2012				
Variable rate instruments	124,199	(124,199)	67,428	(67,428)
31 December 2011				
Variable rate instruments	230,034	(230,034)	162,071	(162,071)

25 Financial risk management (Continued)

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 2012					
Trade and other receivables	12	17,672,140	–	17,672,140	17,672,140
Cash and cash equivalents	13	12,441,968	–	12,441,968	12,441,968
		30,114,108	–	30,114,108	30,114,108
Fixed rate bank loans	15	–	87,866	87,866	87,866
Finance lease liabilities	15	–	3,086,761	3,086,761	3,006,414
		–	3,174,627	3,174,627	3,094,280
31 December 2011					
Trade and other receivables	12	16,936,098	–	16,936,098	16,936,098
Cash and cash equivalents	13	23,405,962	–	23,405,962	23,405,962
		40,342,060	–	40,342,060	40,342,060
Floating rate bank loan	15	–	374,999	374,999	374,999
Fixed rate bank loan	15	–	311,270	311,270	296,151
Finance lease liabilities	15	–	23,436	23,436	22,239
		–	709,705	709,705	693,389
Company					
31 December 2012					
Trade and other receivables	12	15,496,805	–	15,496,805	15,496,805
Cash and cash equivalents	13	6,757,354	–	6,757,354	6,757,354
		22,254,159	–	22,254,159	22,254,159
Finance lease liabilities	15	–	3,078,721	3,078,721	2,998,374
31 December 2011					
Trade and other receivables	12	13,883,963	–	13,883,963	13,883,963
Cash and cash equivalents	13	16,220,292	–	16,220,292	16,220,292
		30,104,255	–	30,104,255	30,104,255
Fixed rate bank loan		–	31,578	31,578	29,966

25 Financial risk management (Continued)

Accounting classifications and fair values (Continued)

Interest rates used for determining fair value

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

	2012	**2011**
	%	**%**
Finance lease liabilities	1.20	5.38
Unsecured fixed rate bank loans	5.00	5.38

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 approach 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 lease liabilities are calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

26 Determination of fair values (Continued)

(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 comprises:

	Group	
	2012	**2011**
	$	**$**
Directors' fees	102,319	95,000
Directors' remunerations	1,552,278	1,722,049
	1,654,597	1,817,049

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	
	2012	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
Within one year	365,958	381,983	365,958	365,958
Between one and five years	1,418,246	1,485,362	1,418,246	1,418,246
More than five years	806,780	1,188,015	806,780	1,172,738
	2,590,984	3,055,360	2,590,984	2,956,942

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

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	
	2012	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
Within one year	72,246	147,156	28,146	98,125
Between one and five years	–	117,000	–	117,000
	72,246	264,156	28,146	215,125

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

29 Subsequent event

On 1 January 2013, the Company has completed the acquisition of the remaining 150,000 ordinary shares of Wing Wah Industrial Services Pte. Ltd. ("WWIS") from a third party shareholder at a purchase consideration of S$499,500.

The above transaction was conducted on an arm's length basis. Save for their shareholdings in the Company, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in this transaction.

Statistics of Shareholdings

As at 28 February 2013

ISSUED AND FULLY PAID 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	550	39.74	2,515,000	0.60
10,001 - 1,000,000	815	58.89	73,858,000	17.73
1,000,001 AND ABOVE	19	1.37	340,335,000	81.67
TOTAL	**1,384**	**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	4,065,000	0.98
10	DMG & PARTNERS SECURITIES PTE LTD	3,262,000	0.78
11	MAYBANK KIM ENG SECURITIES PTE LTD	3,170,000	0.76
12	KOH SER KIONG	2,270,000	0.54
13	OCBC SECURITIES PRIVATE LTD	2,090,000	0.50
14	UNITED OVERSEAS BANK NOMINEES PTE LTD	1,882,000	0.45
15	NG HIAN CHOW	1,860,000	0.45
16	THNG KIAN TONG	1,708,000	0.41
17	TAN HAI PENG MICHEAL	1,250,000	0.30
18	YEE CHIA HSING	1,188,000	0.29
19	PHILLIP SECURITIES PTE LTD	1,004,000	0.24
20	HONG LEONG FINANCE NOMINEES PTE LTD	1,000,000	0.24
	TOTAL	**341,335,000**	**81.92**

RULE 723 COMPLIANCE

Based on the information available to the Company as at 28 February 2013, approximately 30.41% 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	11.59
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 sibblings and are deemed to be interested in the shares held by each other.

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

Notice of Annual General Meeting

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

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 Tuesday, 9 April 2013 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 2012 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) Peter Sim Swee Yam (Article 98) **[Resolution 2(i)]**
     [See Explanatory Note 1]
   - ii) Quek Chiau Liong (Article 98) **[Resolution 2(ii)]**
   - iii) David Tan Chao Hsiung (Article 102) **[Resolution 2(iii)]**
     [See Explanatory Note 1]

3. To appoint Lau Teik Soon, who is above 70 years of age, as a director of the Company pursuant to Section 153(6) of the Companies Act, Cap 50, to hold office as a Director from the date of this Annual General Meeting until the next Annual General Meeting.
   [See Explanatory Note 2] **[Resolution 3]**

4. To declare a first and final dividend of 0.15 cents per ordinary share tax-exempt (one-tier) for the financial year ended 31 December 2012 ("FY2012") **[Resolution 4]**

5. To approve Directors' fees of up to S$145,000 for the financial year ending 31 December 2013 ("FY2013") to be payable quarterly in arrears. **[Resolution 5]**

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

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

SPECIAL BUSINESS

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

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

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

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

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

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

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

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

provided that:

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

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

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

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

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

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

4) (unless revoked or varied by the Company in General Meeting), the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." *[See Explanatory Note 3]*

By Order of the Board

Seah Hai Yang
Company Secretary
Singapore, 22 March 2013

Notice of Annual General Meeting (cont'd)

Explanatory Notes:

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

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

2 **Lau Teik Soon**, if appointed, will be considered an independent non-executive director.

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

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

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 Tuesday, 9 April 2013 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 2012		
2(i)	Re-election of Peter Sim Swee Yam as a Director		
2(ii)	Re-election of Quek Chiau Liong as a Director		
2(iii)	Re-election of David Tan Chao Hsiung as a Director		
3	Appointment of Lau Teik Soon as a Director		
4	Declaration of First and Final Dividends		
5	Approval of Directors' fees for FY2013		
6	Re-appointment of Messrs KPMG LLP as Auditors		
7	Authority to allot and issue shares and convertible securities		

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

Dated this ______ day of __________________ 2013

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 Non-Executive and Independent Director)

David Tan Chao Hsiung
(Non-Executive and Independent Director)

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

AUDIT COMMITTEE
Gan Lai Chiang
Peter Sim Swee Yam
David Tan Chao Hsiung

REMUNERATION COMMITTEE
Peter Sim Swee Yam
David Tan Chao Hsiung
Gan Lai Chiang

NOMINATING COMMITTEE
David Tan Chao Hsiung
Peter Sim Swee Yam
Gan Lai Chiang

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)

MUN SIONG
ENGINEERING LIMITED

Mun Siong Engineering Limited
Company Reg. No. 196900250M

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