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MUN SIONG ENGINEERING LIMITED

OUR CUSTOMER. OUR PRIORITY.

Annual Report 2013

Corporate Profile

Established in 1969, Mun Siong is a leading integrated engineering solutions provider to the process industries.

Mun Siong's business activities includes maintenance services, project works, shutdowns and major turnarounds, specialised services, electrical and instrumentation, rotating equipment services and scaffolding works. The Group is strongly positioned to serve customers including petroleum majors, petrochemical companies and multi-national EPC contractors.

Mun Siong's dedication in safety, quality and competitive solutions has earned the Company the reputation as a reliable and progressive company, distinguished by their sound corporate governance and commitment to business continuity and corporate social responsibility. Together with more than 44 years of track records, long-standing business relationship and broad experience in managing service contracts, have allowed the Company to expand their customer base to Taiwan, India and Malaysia.

Adding to the Group's integrated capabilities in electrical cum instrumentation works and rotating equipment services; in 2013, Pegasus Advance Engineering Pte Ltd was set up to provide scaffolding works.

Mun Siong Engineering was listed on the main board of the Singapore Stock Exchange in October 2010.

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

Group At A Glance

MECHANICAL ENGINEERING

MUN SIONG ENGINEERING LIMITED

- Maintenance Services
- Project Works
- Specialised Services

Strategic Partners :

- Conco Systems (USA)
  Heat Exchanger Cleaning
- Curran International (USA)
  Protective Coating Solutions

- Fabrication And Erection Of Steel Structures/Fixed Equipment/Skids
- Pre-assembled Modules (PAM)
- Prefabrication And Installation Of Piping Works
- 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

OHM ENGINEERING PTE LTD

- 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
- E & I Works For FPSO Module

SCAFFOLDING WORKS

PEGASUS ADVANCE ENGINEERING PTE LTD

- Tower Scaffold
- Hanging Scaffold
- Cantilever Scaffold
- Mobile Scaffold
- Special PE Designed Scaffold For Lifting And Platform Loading

ROTATING EQUIPMENT

WING WAH INDUSTRIAL SERVICES

Strategic Partners :

Edwards Vacuum Pump Services (USA)
Vacuum Pumps
Weir Minerals (USA)
Weir Floway® Pumps
Airpack Netherlands
Compressors, Dryers & Nitrogen Generators

- Servicing, Repairing And Overhauling
- On Site Remove, Repair And Installation Of Equipment
- Dynamic Balancing
- In-situ Machining
- Plant Shutdown/Turnaround Management
- New Plant Installation
- Preventive Maintenance
- Retrofitting And Modification Of Rotating Equipment

Corporate Social Responsibility

Our CSR Report is based on economic, social and environmental issues that are material to our shareholders and our business.

Mun Siong Group has a diverse business portfolio which includes mechanical, electrical cum instrumentation, rotating equipment and scaffolding services.

As one of the leading service provider in the process industry in Singapore providing safe, quality, and timely services to our valued customers; we also offer a suite of specialised service solutions to support our customers' needs.

In the area of energy consumption, we strive to ensure energy conservation in our workshops and office. Cutting down on our energy usage not only helps to mitigate climate change, but also saves cost for the Group. Reduction in water consumption; as well as proper waste management is the other key areas that help ensure environmental sustainability.

As a good corporate citizen, we engage our employees in different social and environmental projects to contribute to the well-being and development of our community.

Dormitory Visit By Our Group's Senior Management

Educational Health Talks Organised For Our Employees

Children's Charities Association Christmas Fair & Walkathon 2013

Electrical Safety Awareness Talk At Jurong Green Community Centre

International Coastal Cleanup 2013

To our Employees: We adopt good human resource policies and practices that promote fairness, safe working conditions, encourage teamwork and to ensure career growth. There are also email channels for staff to provide their feedback to the management to facilitate communications.

To our Customers: We ensure reliable, quality and safe work with on-time delivery to our customers with a wide spectrum of services. We response to urgent call outs by our clients with term maintenance contracts.

To our Suppliers: We adopt fair-value and competitive based policies and best practices that ensure a fair selection and procurement process that is ethical.

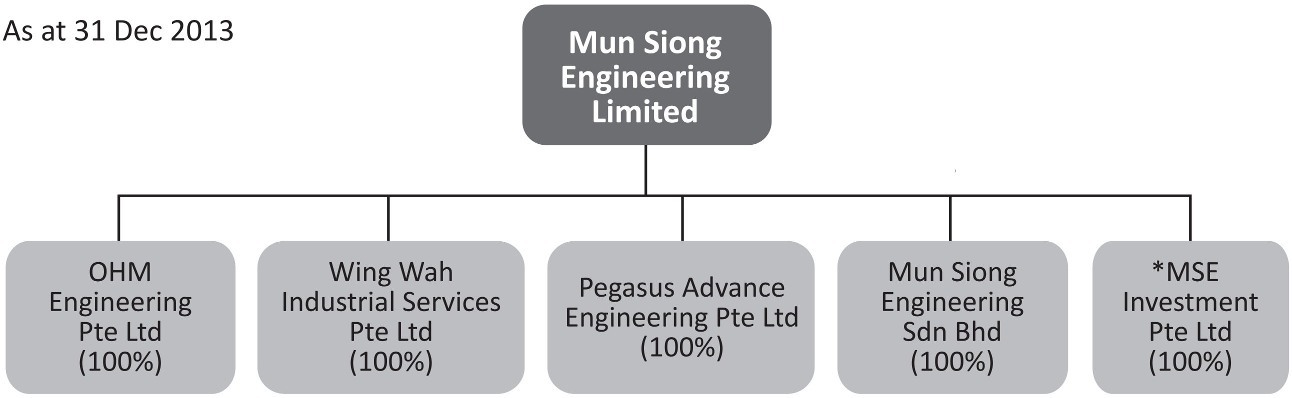
To our Business Partners: We engage suitable partners to pursue mutually beneficial business objectives to achieve growth and profitability.

To our Investor/Shareholders: We strive to generate optimum returns on investment, good corporate governance, transparency and disclosure, as well as sustainable and long term growth of business.

To the Government and Regulators: We comply with the existing laws and have policies and procedures in place to ensure adherence.

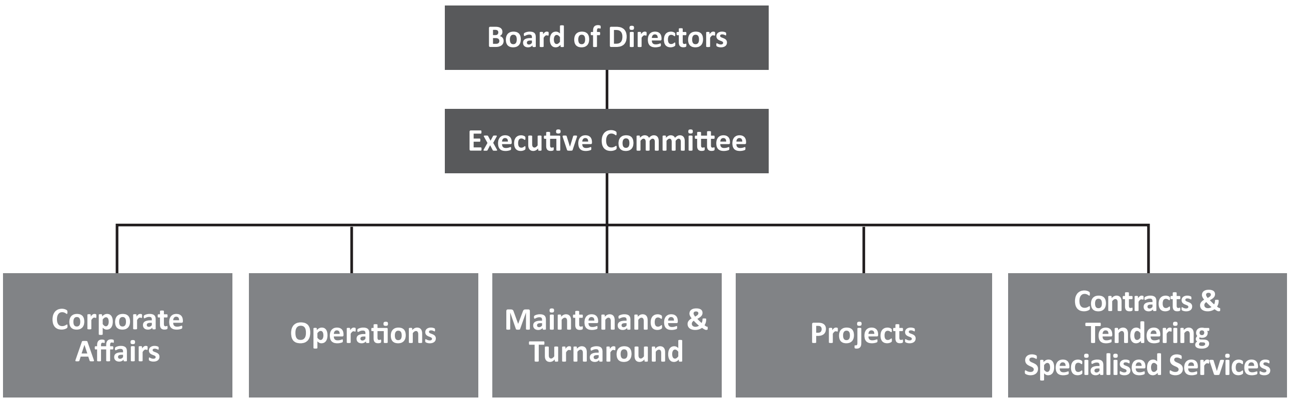
Group Structure

As at 31 Dec 2013



* An application for striking off the name of the company had been made on 22 October 2013 and it has been struck off on 12 March 2014.

Organisation Chart



Financial Calendar 2014 (Tentative Dates)

20 February	Announcement of FY2013 Results
16 April	Annual General Meeting for FY2013
5 May	Announcement of 1Q FY2014 Results
7 August	Announcement of 2Q FY2014 Results
7 November	Announcement of 3Q FY2014 Results

Executive Chairman's Message

Cheng Woei Fen
Executive Chairman

We deliver service excellence to our business partners and foster a supporting working environment for our employees.

Dear Shareholders, Business Partners and Colleagues

FY2013 was a challenging and yet eventful year for the Mun Siong Group. Being on the constant lookout for new business opportunities, the Group has entered into an exclusive licensing arrangement with a North American company to provide specialised coating and blasting works for exchanger tubes. To date, the Group has secured orders to provide these services to our existing business partners.

Scaffolding is a key integral in plant construction and maintenance. Pegasus Advance Engineering Pte Ltd was incorporated to provide scaffolding works to complement the Group's business. Providing scaffolding services not only will increase our range of offerings to our business partners; it also allows better cost control and greater flexibility in the execution of our projects.

Besides building up long term working relationship with our business partners; the Group also builds track records with our investors over time. Our continuing efforts to enhance good corporate governance have placed us amongst the top 50 out of the list of 664 SGX listed companies in Corporate Governance and transparency index ranking for FY2012 financial report.

During the year, the Board was restructured and the Executive Committee was formed to oversee the operations and business developments of the Group. The formation of the Executive Committee will allow the Board of Directors to continue focusing on critical areas such as formulation of business strategies, financial management and enhancing the corporate policies to uphold the flawless corporate governance that the Group always strive for.

Financial Review

The Group's revenue grew 12.0% to $81.8 million from $73.1 million in FY2013. It was contributed by the completion and recognition of project works undertaken by the Group during the financial year.

At the operating level, the Group's profit margin in FY2012 was 9.1%. This was improved to 11.6% in FY2013. Similarly, the net profit margin was also improved from 1.6% in FY2012 to 4.3% in FY2013. This resulted in Group achieving a profit before taxation of $3.5 million for FY2013. It was a significant improvement from $1.2 million in FY2012. The Group achieved net operating cash inflows of $9.9 million from its operations for FY2013, an improvement from net operating cash outflow of $5.8 million in FY2012.

Operations Review

The global economic outlook continues to remain uncertain. The Group remains cautiously optimise in our outlook. The Group's profitability will continue to be under pressure

from competition. The volatility in the market prices of end products may result in our business partners deferring or cancelling some or all of its expansion or upgrading.

With the support and trust from our business partners, we continue to maintain our term maintenance contracts with our long term business partner as well as with new business partners.

Corporate Development

Moving forward, the Group will continue to reinvest in capital equipment to improve productivity and to widen our business into related industries as well as through globalisation. However, challenges will be faced when attempting to enhance our growth through global expansion. Therefore the Group's management will adopt a stringent evaluation process when bidding for new projects or expanding into new areas of business.

Corporate Social Responsibility

Our vision is to become the preferred and most trusted EPC Company to our business partners, colleagues, investors, and the communities where we work and live.

It has been an important part of the Group to be committed to fulfilling its responsibilities as a good corporate citizen by acting ethically and responsibly in all areas of our operations. By incorporating best practices in the way we operate our business, we are determined to provide and educate safety at work and at home to every employee working for us and to reach out to the citizens. We also deliver service excellence to our business partners and foster a supporting working environment for our employees.

Over the years, Mun Siong has endeavour to promote the spirit of giving back to the community, growing and developing people to be effective leaders to meet the challenges ahead.

The Group supported the National Arthritis Foundation Charity Golf, International Coastal Clean Up 2013 as well as the Children's Charities Association Christmas Fun Fair and Walkathon 2013.

Dividend

Our Board of Directors has recommended for shareholders' approval, a total tax-exempt (one-tier) dividend of 0.24 cents comprising a first and final dividend of 0.15 cents and a special dividend of 0.09 cents per ordinary share for FY2013. If this is approved by the shareholders at our Annual General Meeting on 16th April 2014, it will be paid on 20th May 2014.

Acknowledgement

On behalf of the Board of Directors, I would like to thank Mr Gan Lai Chiang for devoting his valuable time to serve on our Board of Directors between 2010 and 2013. We wish him the best in all his future undertakings. We would also take this opportunity to welcome Dr Lau Teik Soon as a member of our Board of Directors.

I also wish to thank our business partners, investors and all other stakeholders for their continuous support to the Company.

Finally, my appreciation also goes to my fellow directors and members of the Executive Committee for their active support and valuable contributions and to our staff for their dedication, hard work and contributions.

Cheng Woei Fen
Executive Chairman

Managing Director's Message

Vincent Quek Chiau Liong
Managing Director

Gross margin for FY2013 was 11.6%. Our profit before taxation improved 188.6% compared to the previous financial year.

Dear Shareholders, Business Partners and Colleagues

We began 2013 in the face of many challenges and apprehensions but we ended the year with resounding success. For FY 2013 we achieved a revenue of $81.8 million, a significant improvement of 12.0% over the previous financial year. The Group has been able to successfully harness strong revenue improvement from its main revenue generators, the mechanical and electrical cum instrumentation businesses that have experienced strong growth to enhance the profitability in both the gross and net margins. Gross margin for FY2013 was 11.6%. This is an improvement from 9.1% in FY2012. Our profit before taxation improved 188.6% compared to the previous financial year.

The improved performance was achieved despite increasing competition, rising operating cost and increasing operational requirements from clients. The result affirmed the Group's strategy of focusing on its core businesses on maintenance services and project works, and its strategic priorities on continuous training, enhance safety at work, expansion into specialized services as well as stringent cost management.

The mechanical service business continued to grow in a highly competitive market. The Group continue to strengthen its capabilities by expanding into specialized heat exchanger tube blasting and coating services and also to provide scaffold services to effectively carry out our mechanical works within stipulated schedule in a more productive manner.

Facing a highly competitive market, the electrical cum instrumentation and ancillary services businesses sustained growth through its continuous pursuit of excellence in the safety performance and operational excellence. The total revenue increased from $12.5 million in FY2012 to $16.8 million in FY2013. OHM Engineering was awarded the WSH Performance Award (Silver) from the Singapore Workplace Safety and Health Council, in recognition of their commitment to promote safety and health at work with good practices and WSH records.

FY2013 was particularly challenging to the Mun Siong Group as it was the first financial year that we operated under the new foreign labour policies that the government imposed in late 2012. Like many Singapore companies, our direct employed labour force comprised substantially of foreign workers. The policies that the government implemented affect our ability to increase the number of foreign workers employed and increase the cost of employing foreign labour.

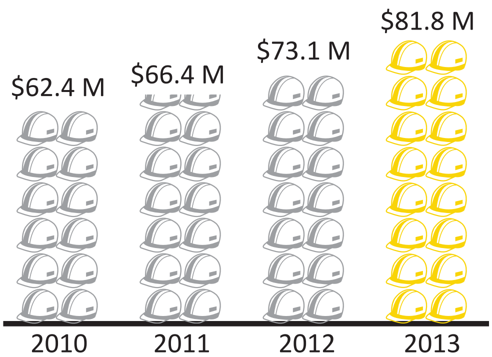
We foresee that it is unlikely that the government would change its policies on the employment of foreign workers in the short term. As such, the additional cost of employing foreign workers will continue to add pressure on our profitability.

Given this, we would have to be selective in our bid for new projects. This is to ensure that our limited resources (especially labour) is allocated to maximize profitability.

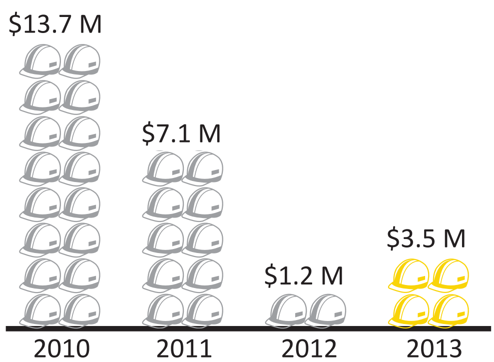
To increase our shareholders' value and to generate growth, the Group's management will continue to reinvest in capital equipment that would improve productivity and minimize the usage of labour; widen the scope of its offering to our business partners and to focus on continuous training and upgrading its work force to meet the expectation of the demanding industry needs. The Group expects the challenges in FY2013 to continue into FY2014 and expects the profit margin to continue to be under pressure.

Vincent Quek Chiau Liong
Managing Director

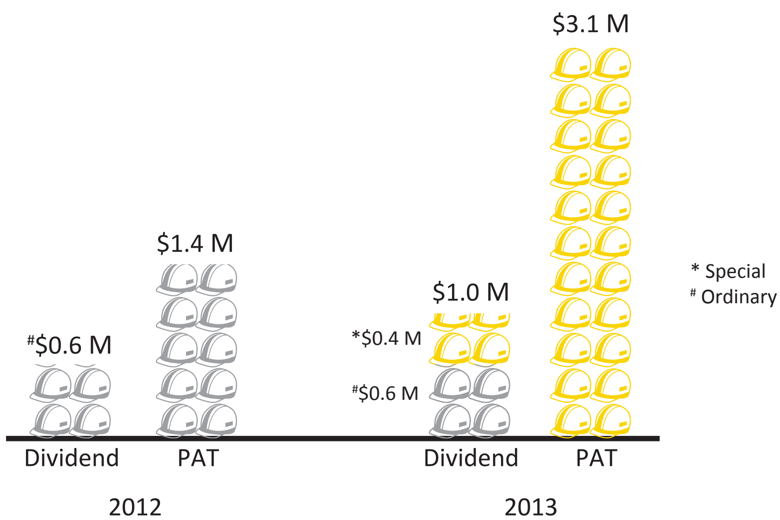
Group Revenue



Profit Before Tax



Dividends Proportion of Profit After Tax (PAT)



Board of Directors

Cheng Woei Fen

Executive Chairman

Ms Cheng Woei Fen was first appointed to the Board in 1981 and last re-elected as a director on 9 April 2012. She spearheaded the acquisitions of the Groups' subsidiaries and is responsible for the effective integration and alignment of the Group's business strategy as well as the development of the Group's business. She also oversees 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. She is also a director in all the subsidiary companies under the Mun Siong Group.

Ms Cheng holds a degree in Business Administration from the then Singapore University. She is the co-chair in the WSQ Process Manpower Skills and Training Council under the Singapore Workforce Development Agency and is also the Chairman of the School Advisory Committee of Beacon Primary School.

Quek Chiau Liong

Managing Director

Mr Quek Chiau Liong was appointed Managing Director of Mun Siong Engineering in April 2007 and was last re-elected as a director on 9 April 2013. He is responsible for the overall management, formulation of business plans, strategic positioning and business expansion of our Group.

He is also a director in all the subsidiary companies under the Mun Siong Group.

Mr Quek holds a Diploma in Mechanical Engineering from Ngee Ann Polytechnic.

David Tan Chao Hsiung

Non-Executive and
Lead Independent Director

Mr David Tan was appointed a Director on 1 October 2012 and last re-elected as a director on 9 April 2013. He is the Chairman of the Audit Committee and a member of both the Nominating Committee and the Remuneration Committee. He has over 20 years of senior management experience in the banking and finance industry and had held positions in both local and foreign financial institutions.

Currently, he is the Executive Director of Omega Capital Pte Ltd and is an independent director with Powermatic Data Systems Ltd.

Mr Tan 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).

Peter Sim Swee Yam

Non-Executive and Independent Director

Mr Peter Sim Swee Yam, BBM, PBM was appointed a Director in October 2010 and last re-elected as a director on 9 April 2013. He is the Chairman of the Remuneration Committee and is a member of the Audit Committee and Nominating Committee. Mr Sim is a solicitor by profession and a director of the law firm, Sim Law Practice LLC.

He also serves as an independent director of Haw Par Corporation Ltd, Marco Polo Marine Ltd and Lum Chang Holdings Ltd. Mr Peter Sim also serves on the boards of the Young Men's Christian Association (YMCA) of Singapore and the Singapore Heart Foundation. He was a former independent director at Latitude Tree International Group Ltd, Pacific Healthcare Holdings Ltd and British & Malayan Trustees Ltd.

Mr Sim holds a Bachelor of Law degree from the University of Singapore (now known as the National University of Singapore).

Dr Lau Teik Soon

Non-Executive and Independent Director

Dr Lau Teik Soon was appointed a non-executive director at the Annual General Meeting on 9 April 2013. He is the Chairman of the Nominating Committee and a member of both the Audit Committee and the Remuneration Committee. Dr Lau is an advocate and solicitor and is currently a partner in Lau Chandra & Rita LLP. 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 currently sits on the Board of Ryobi Kiso Holdings Ltd as an independent director (since 2009). He formerly held directorship at Hock Liang Seng Holdings Ltd.

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

Corporate Governance

INTRODUCTION

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

This report describes the Group's corporate governance practices and structures that were in place during the financial year ended 31 December 2013 with specific reference to the 2012 Code, and where applicable, the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

(A) BOARD MATTERS

The Board's Conduct of its Affairs

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

The Board oversees the Group's affairs and is accountable to shareholders for the management of the Group's 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 recognise that their perceptions affect the Group's reputation;
- Setting the Group's values and standards (including ethical standards), and ensuring that obligations to shareholders and others are understood and met;
- Consider sustainability issues, e.g. 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 discharges their duties and responsibilities at all times as fiduciaries in the interests of the Group.

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

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

(A) BOARD MATTERS (Continued)

The Board's Conduct of its Affairs (Continued)

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

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

	Board of directors			Audit Committee			Nominating Committee			Remuneration Committee		
		No. of meetings			No. of meetings			No. of meetings			No. of meetings	
	Position	Held	Attended	Position	Held	Attended	Position	Held	Attended	Position	Held	Attended
Executive Directors												
Cheng Woei Fen	C	4	4	NA	4	4#	NA	2	2#	NA	2	2#
Quek Chiau Liong	M	4	4	NA	4	4#	NA	2	2#	NA	2	2#
Lin Yan[1]	M	2	2	NA	2	2#	NA	1	1#	NA	1	1#
Lim Choon Wah[1]	M	2	2	NA	2	2#	NA	1	1#	NA	1	1#
Non-Executive Directors												
David Tan Chao Hsiung[4]	M	4	4	C	4	4	M	2	2	M	2	2
Peter Sim Swee Yam[4]	M	4	4	M	4	4	C	2	2	M	2	2
Lau Teik Soon[3, 4]	M	3	3	M	3	3	M	1	1-	C	1	1
Gan Lai Chiang[2]	M	2	2	C	2	2	M	1	1	M	1	1

C: Chairman; M: Member

#By invitation

1 *Re-designated as functional directors on 3rd May 2013*
2 *Resigned on 3rd May 2013*
3 *Appointed on 9 April 2013*
4 *Following the resignation of Mr Gan on 3rd May 2013, the Committees were re-constituted, each comprising 3 independent directors and with David Tan as Chairman of the Audit Committee, Peter Sim as Chairman of the Remuneration Committee and Lau Teik Soon as Chairman of the Nominating Committee.*

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

Board Composition and Guidance

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

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

(A) BOARD MATTERS (Continued)

Board Composition and Guidance (Continued)

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

The Audit, Nominating and Remuneration committees are chaired by the non-executive and independent directors and the Committees comprise wholly of the non-executive and independent directors. The list of directors is as follows:

Name	Appointment	Date of first appointment	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	9 April 2013
David Tan Chao Hsiung	Non-Executive and Lead Independent Director	1 October 2012	9 April 2013
Peter Sim Swee Yam	Non-Executive and Independent Director	11 October 2010	9 April 2013
Lau Teik Soon	Non-Executive and Independent Director	9 April 2013	9 April 2013

*Quek Chiau Liong is the step son of Cheng Woei Fen.

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

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

There is a strong independent element on the Board as the non-executive and independent directors comprise the majority of the Board. Board's decisions are undertaken on an unanimous basis and no individual or group is able to dominate the Board's decision-making process. There is also appropriate balance and diversity of skills and experience in the Board because 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.

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.

(A) BOARD MATTERS (Continued)

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 Group's business. No one individual should represent a considerable concentration of power.

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

The Chairman, Cheng Woei Fen 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 David Tan Chao Hsiung, a non-executive and independent director, as our Lead Independent Director. Mr David Tan 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.

During the financial year, the non-executive and independent directors have met several times (without the presence of management) both formally and informally; notably, meetings to discuss the service contracts of the key management staff (including the executive directors). The discussions include a review of past performance and key terms and conditions of the service contracts.

Board Membership

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

(A) BOARD MATTERS (Continued)

Board Membership (Continued)

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

Lau Teik Soon replaced David Tan Chao Hsiung as Chairman of the Nominating Committee on 3 May 2013.

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

1. Making recommendations to the Board on all board appointments and appointment of key managers and related managers. In its search, nomination and selection process for new directors, the Nominating Committee identifies the key attributes that an incoming director should have, 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;

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

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

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

(A) BOARD MATTERS (Continued)

Board Membership (Continued)

The Nominating Committee is satisfied that sufficient time and attention are being given by the directors to the affairs of the Group, notwithstanding that some of the directors have other board representations or other principal commitments. There is presently no need to implement internal guidelines to address their competing time commitments and this matter will be reviewed on an annual basis by the Nominating Committee. At the same time the Nominating Committee has recommended to the Board as a guide, that non-executive and independent directors should limit their other board representations in listed companies to six including that of the Company.

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

Board Performance

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

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

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

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

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

Pursuant to Article 98 of the Company's Articles of Association, at least one-third of the Board is required to retire via rotation at each Annual General Meeting ("AGM"). Accordingly, Cheng Woei Fen and Peter Sim Swee Yam are the two directors retiring via rotation at the forthcoming AGM. Both directors are eligible and had consented for re-election. The Nominating Committee, having considered their performance and contributions, has recommended these 2 retiring directors for re-election at the forthcoming AGM. Subject to being duly re-elected at the forthcoming AGM, Cheng Woei Fen will remain as the Executive Chairman and Peter Sim will remain as the Chairman of the Remuneration Committee and also as a member of the Audit Committee and the Nominating Committee.

(A) BOARD MATTERS (Continued)

Board Performance (Continued)

Lau Teik Soon was appointed as a director at the AGM on 9 April 2013 pursuant to Section 153(6) of the Companies Act and his tenure of appointment will cease at the forthcoming AGM. The Board had recommended the re-appointment of Lau Teik Soon as a director under Section 153(6) of the Companies Act for shareholders' approval at the forthcoming AGM. Upon being duly re-appointed at the forthcoming AGM, Lau Teik Soon will remain as the Chairman of the Nominating Committee and as a member of both the Audit Committee and the Remuneration Committee.

Access to Information

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

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

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

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

The non-executive and independent directors have separate and independent access to the Group's senior management, including the 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 who is concurrently the Chief Financial Officer. 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/hers own remuneration.

Remuneration Committee

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

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

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

In framing the Group's remuneration policy as described above, the Remuneration Committee 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 Group, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the Group, and (b) key management personnel to successfully manage the Group. However, companies should avoid paying more than is necessary for this purpose.

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

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

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

(B) REMUNERATION MATTERS (Continued)

Level and Mix of Remuneration (Continued)

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

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

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

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

Disclosure on Remuneration

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

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

(B) REMUNERATION MATTERS (Continued)

Disclosure on Remuneration (Continued)

Cheng Woei Fen and Quek Chiau Liong have both entered into service agreements with the Company since 2010. Their service agreements which fall due in 2013 were renewed for a further 3 years. Similar to the previous service agreements, a substantial portion of their remunerations (in dollar terms) are in the form of variable or performance related bonuses. The variable or performance related bonuses are calculated as a percentage of the Group's profitability, with the percentage increasing along with profitability.

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

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

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

Remuneration table

		Breakdown in percentage				
	Total Remuneration $'000	Base/fixed salary %	Director's fees %	Variable or performance–related income/bonuses %	Benefits in kind %	Total %
Directors						
Cheng Woei Fen	340	65.3	–	3.7	31.0	100.0
Quek Chiau Liong	308	61.6	–	4.1	34.3	100.0
David Tan Chao Hsiung	40	–	100.0	–	–	100.0
Peter Sim Swee Yam	36	–	100.0	–	–	100.0
Lau Teik Soon (appointed on 9 April 2013)	27	–	100.0	–	–	100.0
Gan Lai Chiang (Resigned on 3 May 2013)	41	–	100.0	–	–	100.0
Top 5 management personnel						
Above $250,000 and below $500,000						
Lin Yan		32.5	–	53.9	13.6	100.0
Below $250,000						
Seah Hai Yang (Joined on 22 March 2013)		91.6	–	6.2	2.2	100.0
Lim Fung Suan		80.5	–	6.1	13.4	100.0
Wei Qian		87.8	–	5.8	6.4	100.0
Lim Choon Wah*		67.9	–	–	32.1	100.0

* Lim Choon Wah ceased employment on 21 October 2013 following the expiry of his service contract.

(B) REMUNERATION MATTERS (Continued)

Disclosure on Remuneration (Continued)

The total remuneration for the above key management personnel is $1,134,000.

There is no employee who is an immediate family member of a director whose remuneration exceeds $50,000 during the year under review. The aggregate remuneration paid to employees who are related to the Chairman and Managing Director was approximately $88,000 for the financial year.

(C) ACCOUNTABILITY AND AUDIT ACCOUNTABILITY

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

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

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

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

Risk Management and Internal Controls

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

The Group 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. Meanwhile the responsibility for the governance of risk management is delegated to the Audit Committee. Currently the key framework and policies on risk management are summarized as follow:

Contract pricing and operational risks

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

(C) ACCOUNTABILITY AND AUDIT ACCOUNTABILITY (Continued)

Risk Management and Internal Controls (Continued)

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

Operational risk relates to the costs of not being able to complete a project or work on time. The 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 and the authorities. The safety procedures of the Group are further audited periodically by an external body. The Group also provides training to its staff regularly on safety procedures.

Information system risk

Information system risk is the potential cost to the Group caused by loss of information through either failure of hardware or software. The Group has a disaster recovery plan and a maintenance program for its accounting and management information system. In the event of any disruption, recovery is assured. This will 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 denominated in Singapore dollars. The Group however monitors the exchange rates of major currencies from time to time whenever revenue receivables and payments are not denominated in Singapore dollars.

Market concentration risk

The Group is currently dependent on Singapore for its 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.

During the financial year, the Group completed the acquisition of the remaining 20% interest in Wing Wah Industrial Services Pte Ltd ("Wing Wah"). Wing Wah's principal business is the servicing and maintenance of rotating equipment and valves.

In further effort to diversify and strengthen its revenue base, the Group added two new businesses in FY2013. Mun Siong, through exclusive licensing by a North American company, is able to provide specialised coating for pipes used in the process industry. The licensing agreement allows Mun Siong to provide such services to companies in Malaysia and Singapore. Scaffolding is an integral part of plant construction and maintenance. The Group incorporated Pegasus Advance Engineering Pte Ltd ("Pegasus") to provide scaffolding services initially to support the Group's jobs and eventually to third parties.

(C) ACCOUNTABILITY AND AUDIT ACCOUNTABILITY (Continued)

Risk Management and Internal Controls (Continued)

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.

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 the Chairman, Managing Director and the Chief Financial Officer:

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

Audit Committee

Principle 12: The Board should establish an Audit Committee ("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:
David Tan Chao Hsiung (Chairman)*
Peter Sim Swee Yam
Lau Teik Soon

* appointed as Chairman on 3 May 2013

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

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

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

(C) ACCOUNTABILITY AND AUDIT ACCOUNTABILITY (Continued)

Audit Committee (Continued)

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

- Reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance;
- Reviewing and reporting to the Board annually the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance controls and information technology controls and risk management systems;
- Reviewing the effectiveness of the Group's internal audit function;
- Reviewing the scope, approach and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors;
- Reviewing the nature and extent of the external auditors' non-audit services to the Group as well as the extent of reliance placed by the external auditors on the internal auditor's work, seeking to balance the maintenance of objectivity and value for money;
- Making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- Reviewing both internal and external auditors' audit plans and reports, the external auditors' evaluation of the system of internal accounting controls, as well as the assistance given by management to both the internal and external auditors; and
- Reviewing the quarterly and full-year financial reports of the Group, prior to their submission to the Board.

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

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

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

Auditors' independence

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

(C) ACCOUNTABILITY AND AUDIT ACCOUNTABILITY (Continued)

Audit Committee (Continued)

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

	Audit fee	Non-audit fee
Fee paid to external auditors	$113,000	$6,500

Compliance with SGX Mainboard Rule 712 and Rule 715

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

Whistle blowing programme

The Group is committed to a high standard of ethical conduct and adopts a zero tolerance approach to fraud. The Group 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 Group should establish an effective internal audit function that is adequate resourced and independent of the activities it audits.

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

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

(C) ACCOUNTABILITY AND AUDIT ACCOUNTABILITY (Continued)

Internal Audit (Continued)

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.

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 unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheet and to maintain accountability of assets.

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 and the risk management systems.

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

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights and Communication with Shareholders

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

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

All shareholders of the Company receive the Annual Report and Notice of Annual General Meeting ("AGM") yearly. The AGM is the principal forum for dialogue between the Board and the shareholders. The 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.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES (Continued)

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.

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 definitive dividend policy. The amount of dividend proposed or declared 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 forthcoming year). While there is no definitive policy, the Board will endeavor to have a dividend rate that reflects closely with the Group's performance.

For the financial year ended 31 December 2013, the Board has proposed, subject to shareholders' approval at the AGM, a total dividend of 0.24 cents per share comprising a first and final dividend of 0.15 cents tax-exempt (one-tier) and a special dividend of 0.09 cents tax-exempt (one-tier) per ordinary share. The total dividend proposed for FY2013 is $1.0 million compared to $0.6 million to the corresponding financial year. For FY2013, the total dividend pay after represents 32.4% of the Group's profit after tax.

Conduct of Shareholder Meetings

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

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

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

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

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

SHAREHOLDER RIGHTS AND RESPONSIBILITIES (Continued)

On 31 July 2013, the SGX-ST announced amendments to its listing rules which requires companies listed on the SGX-ST (both Catalist and main board) to hold its general meetings in Singapore (will take effect on 1 January 2014) and voting by poll on all resolutions and the disclosure of voting outcome (will take effect on 1 August 2015).

The Company holds its general meetings in Singapore and is thus in compliance with the new rule. As for the rules on voting by poll on all resolutions and its disclosure, the Company will be implementing these two amendments when they become effective on 1 August 2015.

DEALINGS IN SECURITIES

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

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

USE OF IPO PROCEEDS

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

Purpose / Amount (S$'000)	Raised at IPO	Change of use	Utilised	Balance
To establish a regional presence	4,000		(1,776)	2,224
To establish an engineering design centre and upgrade of existing database management system	1,000		(541)	459
Widening the range of services available to our customers	12,500	(7,709)	(4,791)	–
Working capital	1,400	7,709	(5,332)	3,777
Total	**18,900**	**–**	**(12,440)**	**6,460**

Note: 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 utilised 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 2013.

Directors

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

Cheng Woei Fen
Quek Chiau Liong
Peter Sim Swee Yam
David Tan Chao Hsiung
Lau Teik Soon (Appointed on 9 April 2013)

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	**Holdings at beginning of the year/date of appointment**	**Holdings at end of the year**	**Holdings at beginning of the year/date of appointment**	**Holdings at end of the year**
The Company				
Ordinary shares				
Cheng Woei Fen	199,284,000	199,284,000	48,280,000	48,280,000
Quek Chiau Liong	36,540,000	36,540,000	–	–
Peter Sim Swee Yam	100,000	100,000	–	–

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

Except as disclosed in this report, no director who held office at the end of the financial year had interest in shares, debentures, warrants or share options of the Company or of related corporations either at the beginning 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 2014.

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.

Directors' Report (cont'd)

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in note 28 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:

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

*Note: David Tan was appointed as Chairman on 3 May 2013 following Gan Lai Chiang's resignation as a director on that same day.

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).

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

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

In appointing our auditors for the Company and subsidiaries, we have complied with Rules 712, 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

18 March 2014

Statement by Directors

In our opinion:

(a) the financial statements set out on pages 33 to 80 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 2013 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

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Cheng Woei Fen
Director

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Quek Chiau Liong
Director

18 March 2014

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 2013, 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 33 to 80.

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 2013 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
Chartered Accountants

Singapore
18 March 2014

Statements of Financial Position

As at 31 December 2013

	Note	Group 2013	Group 2012	Company 2013	Company 2012
		$	$	$	$
Assets					
Property, plant and equipment	4	18,414,204	19,999,714	17,375,046	19,483,491
Intangible asset	5	1,337,580	–	1,337,580	–
Goodwill on consolidation	6	1,635,980	1,635,980	–	–
Investment properties	7	1,620,000	1,540,000	1,310,000	1,220,000
Subsidiaries	8	–	–	4,045,501	3,446,000
Jointly controlled entity	10	15,994	17,515	15,994	17,515
Deferred tax asset	9	228,294	225,685	–	–
Total non-current assets		23,252,052	23,418,894	24,084,121	24,167,006
Inventories	11	6,148,179	8,522,701	2,019,179	5,936,023
Trade and other receivables	13	21,045,325	18,407,802	21,586,010	16,188,142
Current tax recoverable		–	97,692	–	97,692
Cash and cash equivalents	14	17,221,607	12,441,968	8,592,351	6,757,354
Total current assets		44,415,111	39,470,163	32,197,540	28,979,211
Total assets		67,667,163	62,889,057	56,281,661	53,146,217
Equity					
Share capital	15	24,528,000	24,528,000	24,528,000	24,528,000
Translation reserves		(10,374)	–	–	–
Retained earnings		25,901,619	23,436,598	16,796,783	12,878,443
Total equity attributable to owners of the Company		50,419,245	47,964,598	41,324,783	37,406,443
Non-controlling interests		–	499,800	–	–
Total equity		50,419,245	48,464,398	41,324,783	37,406,443
Liabilities					
Loans and borrowings	16	1,491,263	2,285,628	1,491,263	2,284,992
Deferred tax liabilities	9	1,457,500	1,258,675	1,411,000	1,215,675
Total non-current liabilities		2,948,763	3,544,303	2,902,263	3,500,667
Trade and other payables	17	13,177,786	9,806,562	11,260,886	11,445,378
Loans and borrowings	16	794,369	888,999	793,729	793,729
Current tax payable		327,000	184,795	–	–
Total current liabilities		14,299,155	10,880,356	12,054,615	12,239,107
Total liabilities		17,247,918	14,424,659	14,956,878	15,739,774
Total equity and liabilities		67,667,163	62,889,057	56,281,661	53,146,217

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

Consolidated Statement of Comprehensive Income

Year ended 31 December 2013

	Note	2013 $	2012 $
Revenue	18	81,822,656	73,080,572
Cost of sales		(72,352,099)	(66,420,644)
Gross profit		9,470,557	6,659,928
Other income	19	907,911	1,104,781
Administrative expenses		(6,884,571)	(6,546,494)
Other expenses		12,070	(4,111)
Results from operating activities		3,505,967	1,214,104
Finance costs	20	(40,288)	(20,489)
Share of results of jointly controlled entity (net of tax)		(1,521)	6,341
Profit before tax	21	3,464,158	1,199,956
Tax (expense)/credit	22	(374,075)	212,384
Profit for the year		3,090,083	1,412,340
Other comprehensive income:			
Foreign currency translation difference from foreign operations		(10,374)	–
Total comprehensive income for the year		3,079,709	1,412,340
Total comprehensive income attributable to:			
Owners of the Company		3,079,709	1,365,548
Non-controlling interests		–	46,792
Total comprehensive income for the year		3,079,709	1,412,340
Earnings per share			
Basic earnings per share (cents)	23	0.74	0.33
Diluted earnings per share (cents)	23	0.74	0.33

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

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

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	15	–	(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		24,528,000	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 Changes in Equity (cont'd)

Year ended 31 December 2013

Group	Note	Share capital $	Retained earnings $	Translation reserves $	Total attributable to owners of the Company $	Non-controlling interests $	Total $
At 1 January 2013		24,258,000	23,436,598	–	47,964,598	499,800	48,464,398
Total comprehensive income for the year							
Profit for the year		–	3,090,083	–	3,090,083	–	3,090,083
Foreign currency translation difference from foreign operation		–	–	(10,374)	(10,374)	–	(10,374)
Total comprehensive income for the year			3,090,083	(10,374)	3,079,709	–	3,079,709
Transactions with owners, recognised directly in equity							
Distributions to owners							
Dividends	15	–	(625,062)	–	(625,062)	–	(625,062)
Total distributions to owners		–	(625,062)	–	(625,062)	–	(625,062)
Changes in ownership interests in subsidiary							
Acquisition of non-controlling interests without a change in control	25	–	–	–	–	(499,800)	(499,800)
Total changes in ownership interests in subsidiary		–	–	–	–	(499,800)	(499,800)
Total transactions with owners		–	(625,062)	–	(625,062)	(499,800)	(1,124,862)
At 31 December 2013		24,258,000	25,901,619	(10,374)	50,419,245	–	50,419,245

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

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Note	2013 $	2012 $
Cash flows from operating activities			
Profit before tax		3,464,158	1,199,956
Adjustments for:			
Depreciation of property, plant and equipment		3,256,489	2,877,117
Amortization of intangible asset		148,620	–
Share of loss/(profit) of jointly controlled entity		1,521	(6,341)
Interest expense		40,288	20,489
Property, plant and equipment written-off		65,552	2,043
Net gain on disposal of property, plant and equipment		(63,565)	(104,835)
Net change in fair value of investment properties		(80,000)	(260,000)
Interest income		(70,201)	(63,030)
		6,762,862	3,665,399
Changes in inventories		2,417,300	(6,716,585)
Changes in trade and other receivables		(2,637,824)	(1,263,598)
Changes in trade and other payables		3,371,224	(724,485)
Cash generated from/(used in) operating activities		9,913,562	(5,039,269)
Income tax paid		(46,066)	(774,716)
Tax credit received		108,104	–
Net cash generated from/(used in) operating activities		9,975,600	(5,813,985)
Cash flows from investing activities			
Interest received		70,201	63,030
Acquisition of a subsidiary, net of cash	25	(499,500)	–
Acquisition of intangible asset		(1,486,200)	–
Proceeds from disposal of property, plant and equipment		114,667	204,427
Proceeds from disposal of an investment property		–	1,800,000
Acquisition of property, plant and equipment		(1,830,410)	(3,834,375)
Net cash used in investing activities		(3,631,242)	(1,766,918)
Cash flows from financing activities			
Repayment of loans and borrowings		(888,995)	(862,354)
Dividend paid		(625,062)	(2,500,248)
Interest paid		(40,288)	(20,489)
Net cash used in financing activities		(1,554,345)	(3,383,091)
Net increase/(decrease) in cash and cash equivalents		4,790,013	(10,963,994)
Cash and cash equivalents at 1 January		12,441,968	23,405,962
Effect of exchange rate fluctuation on cash held		(10,374)	–
Cash and cash equivalents at 31 December	14	17,221,607	12,441,968

Significant non-cash transaction

In 2012, the Group acquired property, plant and equipment amounting to $7,161,651 of which cash payments of approximately $3,834,375 were made to purchase these assets and the balance of approximately $3,327,276 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 18 March 2014 .

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 2013 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 8 to the consolidated financial statements.

2 Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

2 Basis of preparation (continued)

2.4 Use of estimates and judgements (continued)

In particular, information about significant areas of assumptions and estimation uncertainties in applying accounting policies that have a significant effect on the amount recognised in the financial statements are included in the following notes.

- Note 4 – measurement of recoverable amounts of property, plant and equipment
- Note 5 – measurement of recoverable amounts of intangible assets
- Note 6 – measurement of recoverable amount of goodwill
- Note 7 – valuation of investment properties
- Note 10 – measurement of recoverable amount of investment in jointly controlled entity
- Note 18 – estimation of the percentage of completion of the projects, attributable profits and foreseeable losses
- Note 26 – assessment of impairment losses on doubtful receivables

2.5 Adoption of new/revised Financial Reporting Standards

FRS 19 *Employee Benefits* (revised 2011)

The Group applies FRS 19 *Employee Benefits* (revised 2011), which became effective as of 1 January 2013. FRS 19 amended the definition of short term employee benefits and required employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits.

These amendments were applied retrospectively. There was no significant impact on the financial position or performance of the Group arising from the adoption of these amendments.

FRS 113 *Fair Value Measurement*

FRS 113 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other FRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about the fair value measurements in other FRSs, including FRS 107 *Financial Instruments: Disclosures.*

From 1 January 2013, in accordance with the transitional provisions of FRS 113, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities. The additional disclosure required as a result of the adoption of this standard has been included in note 27.

Amendments to FRS 1 *Presentation of Financial Statements*

From 1 January 2013, as a result of the amendments to FRS 1 *Presentation of Financial Statements*, the Group has modified the presentation of items of other comprehensive income in its consolidated statement of comprehensive income, to present separately items that would be reclassified to profit or loss in the future from those that would never be. Comparative information has also been re-presented accordingly. The adoption of the amendments to FRS 1 has no impact on the recognised assets, liabilities and comprehensive income of the Group.

3. Significant accounting policies

Except as explained in note 2.5, 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.

3. Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

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.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity-accounted investee, after adjustments to align the accounting policies of the equity-accounted investee with those of the Group, from the date that joint control commences until the date that joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Acquisition of non-controlling interests

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

Transactions eliminated on consolidation

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

Accounting for subsidiaries and jointly controlled entities

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

3. Significant accounting policies (continued)

3.2 Foreign currencies

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.

Foreign operations

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

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

3.3 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.

3. Significant accounting policies (continued)

3.3 Property, plant and equipment (continued)

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 7 years
Machinery, tools and equipment	5 to 10 years
Furniture and office equipment	5 to 10 years
Motor vehicles	5 years
Other assets	7 - 10 years

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

3.4 Intangible asset

Recognition and measurement

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

Subsequent expenditure

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

Amortisation

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

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

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

3. Significant accounting policies (continued)

3.5 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.

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

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

3.6 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.

3.7 Leased assets

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

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

3.8 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. Significant accounting policies (continued)

3.9 Contract work-in-progress

Contract work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date 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.

3.10 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.

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.

3. Significant accounting policies (continued)

3.10 Financial instruments (continued)

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.

3.11 Impairment

Non-derivative financial assets

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

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables

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

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

3. Significant accounting policies (continued)

3.11 Impairment (continued)

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, deferred tax asset 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.

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. Significant accounting policies (continued)

3.12 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.

3.13 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.

3.14 Revenue

Contract revenue

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

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

3. Significant accounting policies (continued)

3.14 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.

3.15 Government grants

Government grants received are recognised as income upon receipt.

3.16 Finance costs

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

3.17 Tax

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss differences relating to investments in subsidiaries and jointly controlled entity to the extent that it is probable that they will not reverse in the foreseeable future; and difference arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

3. Significant accounting policies (continued)

3.17 Tax (continued)

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

3.18 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by 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.

3.19 Segment reporting

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

3.20 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective from annual period beginning after 1 January 2013, 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.

Notes to the financial statements (cont'd)

4 Property, plant and equipment

Group	Leasehold property	Machinery, tools and equipment	Furniture and office equipment	Motor vehicles	Other assets	Total
	$	$	$	$	$	$
Cost						
At 1 January 2012	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
Additions	–	1,587,937	82,668	147,045	12,760	1,830,410
Disposals/Write-off	(65,552)	(274,542)	(159,392)	(89,638)	(20,220)	(609,344)
At 31 December 2013	7,459,906	21,579,488	2,592,263	6,021,626	635,476	38,288,759
Accumulated depreciation						
At 1 January 2012	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
Depreciation charge for the year	669,847	1,763,134	241,414	543,372	81,500	3,299,267
Disposals/Write-off	–	(261,190)	(149,804)	(61,477)	(20,220)	(492,691)
At 31 December 2013	3,008,796	9,786,012	1,152,659	5,457,042	470,046	19,874,555
Carrying amounts						
At 1 January 2012	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
At 31 December 2013	4,451,110	11,793,476	1,439,604	564,584	165,430	18,414,204

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 2012	6,234,447	15,572,275	2,098,743	4,692,990	464,673	29,063,128
Additions	1,374,806	4,580,701	319,472	475,003	42,494	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	2,365,965	5,167,993	507,167	35,473,399
Additions	–	956,895	76,279	–	12,760	1,045,934
Disposals/Write-off	(65,552)	(232,904)	(30,981)	–	–	(329,437)
At 31 December 2013	7,595,951	20,494,762	2,411,263	5,167,993	519,927	36,189,896
Accumulated depreciation						
At 1 January 2012	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
Depreciation charge for the year	668,321	1,713,343	228,025	380,265	76,269	3,066,223
Disposals/Write-off	–	(219,551)	(21,730)	–	–	(241,281)
At 31 December 2013	3,006,634	9,416,751	998,736	5,047,279	345,450	18,814,850
Carrying amounts						
At 1 January 2012	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	1,573,524	500,979	237,986	19,483,491
At 31 December 2013	4,589,317	11,078,011	1,412,527	120,714	174,477	17,375,046

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.

4 Property, plant and equipment (continued)

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 2013, the net carrying amount of leased motor vehicles and machinery, tools and equipment was $3,132,872 (2012: $3,494,362).

Depreciation capitalised in contract work-in-progress

Depreciation of property, plant and equipment of the Group and the Company amounting to $47,219 and $47,219 (2012: $4,441 and $3,140) has been capitalised in contract work-in-progress, respectively.

Security

Leasehold property, motor vehicles and machinery, tools and equipment of the Group and the Company with carrying amount of $7,583,982 (2012: $8,680,871) was mortgaged to a bank to secure banking facilities of the Group and the Company.

5 Intangible asset

Group and Company	**Licensing rights**
	$
Cost	
At 1 January 2012 and 31 December 2012	–
Additions	1,486,200
At 31 December 2013	1,486,200
Accumulated amortisation	
At 1 January 2012 and 31 December 2012	–
Amortisation for the year	148,620
At 31 December 2013	148,620
Carrying amounts	
At 1 January 2012 and 31 December 2012	–
At 31 December 2013	1,337,580

The recoverable amounts of the intangible asset 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 unit and was based on the following key assumptions:

- Cash flows were projected based on past performance and management's expectation of market developments and future cash flows based on existing and newly secured contracts as well as historical trend for a one-year time horizon. The anticipated annual revenue growth included in the cash flow projections in the second and third year of the forecast period was approximately 5% for the cash-generating unit, respectively. Management believes that the forecast periods were justified due to the short to medium-term nature of the projects and the average growth levels experienced over the past one year.

5 Intangible asset (continued)

- A post-tax discount rate of 8.87% 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 Goodwill on consolidation

	Group	
	2013	**2012**
	$	**$**
At 1 January/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 2013. 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 ancillary services 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 (2012: one-year) time horizon. The anticipated annual revenue growth included in the cash flow projections in the second and third year of the forecast period was approximately 9.2% and 8.4% for the ancillary services cash-generating units, respectively. Management believes that the forecast periods were justified due to the short to medium-term nature of the projects and the average growth levels experienced over the last five years.

- A post-tax discount rate of 6.81% and 9.24% (2012: 4.92%) was applied in determining the recoverable amount of the cash-generating units. The discount rate used reflects specific risks relating to the cash-generating units.

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.

7 Investment properties

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
At 1 January	1,540,000	3,080,000	1,220,000	960,000
Net gains from fair value adjustments	80,000	260,000	90,000	260,000
Disposal	–	(1,800,000)	–	–
At 31 December	1,620,000	1,540,000	1,310,000	1,220,000

7 Investment properties (continued)

As at 31 December 2013, investment properties are stated at fair value based on valuations performed by an independent professional valuer, Asian Appraisal Company Private Limited. In determining the fair value, the valuers have used valuation techniques which involve certain estimates. In relying on the valuation reports, management has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of current market conditions. The valuation reports were prepared in accordance with recognised appraisal and valuation standards. The estimates underlying the valuation techniques in the next financial year may differ from current estimates, which may result in valuations that may be materially different from the valuations as at the reporting date.

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

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

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

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

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

8 Subsidiaries

	Company	
	2013	2012
	$	$
Unquoted equity investments, at cost	4,045,501	3,446,000

8 Subsidiaries (continued)

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity held by the Company 2013 %	2012 %
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 [1]	Mixed construction activities, manufacturing activities and process plant engineering services	Singapore	100	80
Pegasus Advance Engineering Pte Ltd [3]	Process and industrial engineering services and other engineering activities including scaffolding work	Singapore	100	–
Mun Siong Engineering Sdn Bhd [4]	Provision of engineering services and contractor to the process industries in Malaysia	Malaysia	100	–

1 Audited by KPMG LLP.

2 Not required for an audit as the company is dormant since its incorporation on 5 January 2011. An application for striking off the name of the company had been made on 22 October 2013 and it has been struck off on 12 March 2014.

3 Audited by KPMG LLP for the 1st financial period from 30 May 2013 to 31 December 2013.

4 Audited by Smalley & Co, Malaysia for the 1st financial period from 30 July 2013 to 31 December 2013.

9 Deferred tax asset and liabilities

Movements in temporary differences during the year are as follows:

	At 1 January 2012	Recognised in profit or loss (see note 22)	At 31 December 2012	Recognised in profit or loss (see note 22)	At 31 December 2013
Group	$	$	$	$	$
Deferred tax asset					
Tax loss carry-forward	–	(225,685)	(225,685)	(2,609)	(228,294)
Deferred tax liability					
Property, plant and equipment	1,465,686	(207,011)	1,258,675	198,825	1,457,500
	1,465,686	(432,696)	1,032,990	196,216	1,229,206
Company					
Deferred tax liability					
Property, plant and equipment	1,430,000	(214,325)	1,215,675	195,325	1,411,000

10 Jointly controlled entity

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
Investment in joint venture				
At 1 January	17,515	11,174	17,515	100,000
Share of results	(1,521)	6,341	–	–
Allowance for impairment loss	–	–	(1,521)	(82,485)
At 31 December	15,994	17,515	15,994	17,515

During the year, the Company made an allowance for impairment loss amounting to $1,521 (2012: $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)
	$	$	$	$	$	$	$	$
2013	18,903	–	18,903	(2,909)	(2,909)	–	(1,521)	(1,521)
2012	18,903	–	18,903	(1,388)	(1,388)	33,358	(27,017)	6,341

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	
			2013	2012
			%	%
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.

11 Inventories

		Group		Company	
	Note	2013	2012	2013	2012
		$	$	$	$
Consumables		278,863	365,333	278,863	236,808
Contract work-in-progress	12	5,869,316	8,157,368	1,740,316	5,699,215
		6,148,179	8,522,701	2,019,179	5,936,023

In 2013, consumables and direct materials recognised as cost of sales amounted to $6,846,449 (2012: $5,613,459).

12 Contract work-in-progress

		Group		Company	
	Note	2013	2012	2013	2012
		$	$	$	$
Costs incurred and attributable profits		31,243,108	21,843,586	19,876,114	13,217,297
Progress billings		(25,561,594)	(13,749,824)	(18,323,600)	(7,581,688)
		5,681,514	8,093,762	1,552,514	5,635,609
Comprising:					
Contract work-in-progress	11	5,869,316	8,157,368	1,740,316	5,699,215
Excess of progress billings over contract work-in-progress	17	(187,802)	(63,606)	(187,802)	(63,606)
		5,681,514	8,093,762	1,552,514	5,635,609

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

		Group		Company	
	Note	2013	2012	2013	2012
		$	$	$	$
Depreciation of property, plant and equipment	4	47,219	4,441	47,219	3,140
Staff costs		661,655	325,452	661,655	276,315
		708,874	329,893	708,874	279,455

13 Trade and other receivables

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
Trade receivables	18,220,438	16,522,512	17,519,737	14,499,074
Amounts due from subsidiaries				
- Non-trade	–	–	1,482,555	10,000
Deposits	1,054,506	788,318	972,316	708,828
Other receivables	183,135	361,310	64,342	278,903
Trade and other receivables	19,458,079	17,672,140	20,038,950	15,496,805
Prepayments	1,587,246	735,662	1,547,060	691,337
	21,045,325	18,407,802	21,586,010	16,188,142

Outstanding balances with subsidiaries are unsecured and interest free, and are repayable on demand. There is no allowance for doubtful debts arising from these outstanding balances.

The Group's and the Company's exposure to credit and currency risks, and impairment losses related to trade receivables, are disclosed in note 26.

14 Cash and cash equivalents

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
Cash at bank and on hand	11,065,439	7,541,968	7,592,351	3,757,354
Fixed deposits	6,156,168	4,900,000	1,000,000	3,000,000
Cash and cash equivalents in the consolidated statement of cash flows	17,221,607	12,441,968	8,592,351	6,757,354

The Group's and the Company's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in note 26.

15 Share capital

	Ordinary shares	
	2013	2012
	No. of shares	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.

15 Share capital (continued)

Dividends

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

	Company	
	2013	**2012**
	$	**$**
Paid to owners of the Company		
0.15 cents per ordinary share to all shareholders (2012: 0.6 cents)	625,062	2,500,248

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

	Company	
	2013	**2012**
	$	**$**
0.24 cents per ordinary share to all shareholders (2012: 0.15 cents)	1,000,099	625,062

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:

	2013	**2012**
	$	**$**
Total liabilities	17,247,918	14,424,659
Less: cash and cash equivalents	17,221,607	12,441,968
Net debt	26,311	1,982,691
Total equity	50,419,245	48,464,398
Net debt to equity ratio at 31 December	0.0005	0.04

There was no change in the Group's approach to capital management during the year.

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

16 Loans and borrowings

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
Non-current liabilities				
Finance lease liabilities	1,491,263	2,285,628	1,491,263	2,284,992
Current liabilities				
Unsecured bank loans	–	87,866	–	–
Finance lease liabilities	794,369	801,133	793,729	793,729
	794,369	888,999	793,729	793,729
Total loans and borrowings	2,285,632	3,174,627	2,284,992	3,078,721

Finance lease liabilities

Finance lease liabilities were payable as follows:

	Future minimum lease payments	Interest	Principal	Future minimum lease payments	Interest	Principal
	2012	2012	2012	2013	2013	2013
	$	$	$	$	$	$
Group						
Within one year	869,433	68,300	801,133	832,568	38,199	794,369
Between one and five years	2,367,453	81,825	2,285,628	1,562,844	71,581	1,491,263
	3,236,886	150,125	3,086,761	2,395,412	109,780	2,285,632
Company						
Within one year	861,653	67,924	793,729	831,828	38,099	793,729
Between one and five years	2,366,813	81,821	2,284,992	1,562,844	71,581	1,491,263
	3,228,466	149,745	3,078,721	2,394,672	109,680	2,284,992

16 Loans and borrowings (continued)

Terms and debt repayment schedule

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

Group	Currency	Nominal interest rate %	Year of maturity	Face value $	Carrying amount $
2013					
Fixed rate finance leases	SGD	1.2%	2016	2,395,412	2,285,632
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	1.2%	2016	3,236,886	3,086,761
				3,324,752	3,174,627
Company					
2013					
Fixed rate finance leases	SGD	1.2%	2016	2,394,672	2,284,992
2012					
Fixed rate finance leases	SGD	1.2%	2016	3,228,466	3,078,721

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

The Group's and the Company's exposure to liquidity and interest rate risks, and sensitivity analysis for financial assets and liabilities are disclosed in note 26.

17 Trade and other payables

	Note	Group 2013 $	Group 2012 $	Company 2013 $	Company 2012 $
Trade payables		8,735,238	6,548,923	8,388,803	6,337,908
Amounts due to subsidiaries:					
- trade		–	–	187,149	2,653,532
Amounts due to subsidiaries:					
- non-trade		–	–	7,403	–
Other payables and accruals		4,254,746	3,194,033	2,489,729	2,390,332
Excess of progress billings over contract work-in-progress	12	187,802	63,606	187,802	63,606
		13,177,786	9,806,562	11,260,886	11,445,378

The Group's and the Company's exposure to foreign currency and liquidity risks related to trade other payables are disclosed in note 26.

18 Revenue

	Group	
	2013	2012
	$	$
Contract revenue	38,884,250	29,998,365
Rendering of maintenance services	42,938,406	43,082,207
	81,822,656	73,080,572

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.

19 Other income

	Group	
	2013	2012
	$	$
Changes in fair value of investment properties	80,000	260,000
Rental income	254,460	238,949
Interest income	70,201	63,030
Gain on disposal of property, plant and equipment	63,565	104,835
Gain on disposal of scraps	71,551	154,955
Grants received from SPRING Singapore	–	135,248
Others	368,134	147,764
	907,911	1,104,781

20 Finance costs

	Group 2013 $	Group 2012 $
Interest expense on loans and borrowings	40,288	20,489

21 Profit before tax

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

	Group 2013 $	Group 2012 $
Staff costs	36,583,449	34,205,105
Contribution to defined contribution plans included in staff costs	1,166,874	1,381,051
Depreciation of property, plant and equipment	3,256,489	2,877,116
Amortisation of intangible asset	148,620	–
Operating lease expenses	381,214	352,950
Operating expenses arising from rental of investment properties	22,163	21,652
Audit fees paid/payable to:		
- auditors of the Company	113,000	110,000
- other auditors	385	–
Non-audit fees paid to auditors of the Company	6,500	6,500
Property, plant and equipment written-off	65,552	2,043
Net foreign exchange gain	(12,070)	(3,356)

22 Tax expense/(credit)

	Group 2013 $	Group 2012 $
Current tax expense		
Current year	343,187	154,999
(Over)/Under provision in respect of prior years	(165,328)	65,313
	177,859	220,312
Deferred tax expense		
Reversal/(origination) of temporary differences	84,125	(432,696)
Under provision in respect of prior years	112,091	–
	196,216	(432,696)
Total tax expense/(credit)	374,075	(212,384)

22 Tax expense/(credit) (continued)

	Group	
	2013	2012
	$	$
Reconciliation of effective tax rate		
Profit before tax	3,464,158	1,199,956
Income tax using the Singapore tax rate of 17% (2012: 17%)	588,907	203,992
Non-deductible expenses	84,476	17,044
(Over)/Under provision in prior years	(53,237)	65,313
Tax incentives	(336,232)	(341,548)
Income not subject to tax	(72,925)	(157,185)
Others	163,086	–
	374,075	(212,384)

23 Earnings per share

The calculation of basic earnings per share at 31 December 2013 was based on the profit attributable to ordinary shareholders of $3,079,709 (2012: $1,365,548), and weighted average number of ordinary shares outstanding of 416,708,000 (2012: 416,708,000), calculated as follows:

	Group	
	2013	2012
	$	$
Profit attributable to ordinary shareholders	3,079,709	1,365,548
	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

At 31 December 2013, the basic and diluted earnings per share are the same. There were no potential dilutive ordinary shares in existence for the financial years ended 31 December 2013 and 2012.

24 Operating segments

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

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

- Mechanical : Relates to mechanical engineering services of pre-fabrication, installation of piping works and mechanical de-coking, re-tubing and hydro-jetting.

- 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 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 2013 and 2012 is as follows:

Business segments

2013	Mechanical $	Ancillary services $	Total $
External revenues	67,622,091	14,200,565	81,822,656
Inter-segment revenue	–	2,593,495	2,593,495
Total Revenue	67,622,091	16,794,060	84,416,151
Interest income	39,344	30,857	70,201
Interest expenses	38,099	2,189	40,288
Depreciation of property, plant and equipment	3,022,144	234,345	3,256,489
Reportable segment profit before tax	746,627	2,717,650	3,464,277
Other material non-cash item:			
- Changes in fair value of investment properties	90,000	(10,000)	80,000
Reportable segment assets	50,761,128	15,313,612	66,074,740
Investment in joint controlled entity	15,994	–	15,994
Capital expenditure	1,045,934	784,476	1,830,410
Reportable segment liabilities	13,545,878	3,582,752	17,128,630

24 Operating segments (continued)

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 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 joint 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

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

	2013 $	2012 $
Revenues		
Total revenue for reportable segments	84,416,151	77,167,813
Elimination of inter-segment revenue	(2,593,495)	(4,087,241)
Consolidated revenue	81,822,656	73,080,572
Profit or loss		
Total profit or loss for reportable segments	3,464,277	1,348,994
Elimination of inter-segment income	(119)	(149,038)
Consolidated profit before tax	3,464,158	1,199,956
Assets		
Total assets for reportable segments	66,074,740	62,168,339
Other assets	3,241,641	3,366,735
Investment in joint controlled entity	15,994	17,515
Elimination of inter-segment assets	(1,665,212)	(2,663,532)
Consolidated total assets	67,667,163	62,889,057
Liabilities		
Total liabilities for reportable segments	17,128,630	15,644,721
Other liabilities	1,784,500	1,443,470
Elimination of inter-segment liabilities	(1,665,212)	(2,663,532)
Consolidated total liabilities	17,247,918	14,424,659

24 Operating segments (continued)

Major customers

During the financial year ended 31 December 2013, revenue from three major customers of the Group totalled approximately $43,388,914 (2012: $42,402,911). 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:

	2013 $	2012 $
Customer 1	16,271,274	18,636,423
Customer 2	15,910,078	14,344,280
Customer 3	11,207,562	9,422,208
	43,388,914	42,402,911

25 Acquisition of subsidiary

In 2013, the Company has completed the acquisition of the remaining 150,000 ordinary shares of Wing Wah Industrial Services Pte Ltd from a third party shareholder at a purchase consideration of $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 have any interest, direct or indirect, in this transaction.

Identifiable assets acquired and liabilities assumed

The amounts of identifiable assets acquired and liabilities assumed in the acquisition were as follows:

	$
Property, plant and equipment	18,199
Trade and other receivables	233,252
Inventories	25,705
Amount due from holding company	41,198
Deferred tax assets	45,137
Bank balance	219,363
Trade and other payables	(63,873)
Loans and borrowings	(19,181)
Total identifiable net assets	499,800
For cash flow presentation purposes	
Total purchase consideration	499,500
Bank overdraft	–
Acquisition of subsidiary, net of cash	499,500

25 Acquisition of subsidiary (continued)

Goodwill

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

	$
Total purchase consideration	499,500
Fair value of identifiable net assets	(499,800)
Negative goodwill	(300)

26 Financial risk management

Overview

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

- credit risk
- liquidity risk
- market risk

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

Risk management framework

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

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

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

Credit risk

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

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. In the financial year ended 31 December 2013, approximately 53% (2012: 58%) of the Group's revenue was attributable to sales transactions with 3 customers. The Group's most significant customer accounts for $6,436,756 (2012: $7,079,411) of the carrying value of trade receivables as at 31 December 2013.

26 Financial risk management (continued)

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

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

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

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

Impairment losses

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

	Gross 2013 $	Impairment losses 2013 $	Gross 2012 $	Impairment losses 2012 $
Group				
Not past due	16,094,901	–	12,996,108	–
Past due 0-30 days	1,902,335	–	3,163,214	–
Past due 31-60 days	138,684	–	119,331	–
Past due more than 60 days	84,518	–	243,859	–
	18,220,438	–	16,522,512	–
Company				
Not past due	15,629,127	–	11,194,200	–
Past due 0-30 days	1,829,223	–	3,030,469	–
Past due 31-60 days	53,414	–	87,616	–
Past due more than 60 days	7,973	–	186,789	–
	17,519,737	–	14,499,074	–

26 Financial risk management (continued)

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

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

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due more than 60 days. These receivables are mainly arising by customers that have a good payment record with the Group.

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

Liquidity risk

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

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

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

	Carrying amount	Contractual cash flows	Within 1 year	Within 1 to 5 years
	$	$	$	$
Group				
31 December 2013				
Non-derivative financial liabilities				
Loans and borrowings	2,285,632	2,395,412	832,568	1,562,844
Trade and other payables*	12,989,984	12,989,984	12,989,984	–
	15,275,616	15,385,396	13,822,552	1,562,844
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

26 Financial risk management (continued)

	Carrying amount $	Contractual cash flows $	Within 1 year $	Within 1 to 5 years $
Company				
31 December 2013				
Non-derivative financial liabilities				
Loans and borrowings	2,284,992	2,394,672	831,828	1,562,844
Trade and other payables*	11,073,084	11,073,084	11,073,084	–
	13,358,076	13,467,756	11,904,912	1,562,844
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

** 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.

Currency risk

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

26 Financial risk management (continued)

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

Group	USD	RM	GBP	Other
	$	$	$	$
2013				
Trade and other receivables	136,009	–	–	–
Cash and bank balances	236,108	685,478	–	21,574
Trade and other payables	(93,461)	–	(332,060)	(10,178)
Gross exposure	278,656	685,478	(332,060)	11,396
Less: Net financial asset denominated in the respective entities' functional currencies	–	(685,351)	–	–
	278,656	127	(332,060)	11,396
2012				
Trade and other receivables	408,781	–	–	–
Cash and bank balances	194,986	–	–	–
Trade and other payables	(460,028)	–	–	–
Net exposure	143,739	–	–	–
Company				
2013				
Trade and other receivables	133,339	–	–	–
Cash and bank balances	233,197	127	–	918
Trade and other payables	(93,461)	–	(332,060)	(10,178)
Net exposure	273,075	127	(332,060)	(9,260)
2012				
Trade and other receivables	408,781	–	–	–
Cash and bank balances	192,217	–	–	–
Trade and other payables	(387,225)	–	–	–
Net exposure	213,773	–	–	–

Sensitivity analysis

A 10% strengthening of the Singapore dollar, as indicated below, against the following currencies at the reporting date 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 2012.

26 Financial risk management (continued)

	Group	Company
	Equity and profit or loss	Equity and profit or loss
	$	$
2013		
USD	(27,866)	(27,308)
RM	(13)	(13)
GBP	33,206	33,206
Other	(1,140)	926
2012		
USD	(14,374)	(21,377)

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

Interest rate risk

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

	Carrying amount	
	2013	2012
Group	$	$
Fixed rate instruments		
Cash and cash equivalents	17,205,022	12,419,869
Bank loans	–	(87,866)
Finance lease liabilities	(2,285,632)	(3,086,761)
	14,919,390	9,245,242
Company		
Fixed rate instruments		
Cash and cash equivalents	8,582,305	6,742,794
Finance lease liabilities	(2,284,992)	(3,078,721)
	6,297,313	3,664,073

The Group does not have significant exposure to the fluctuation of interest rate risk.

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.

26 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 2013					
Trade and other receivables*	13	19,458,079	–	19,458,079	19,458,079
Cash and cash equivalents	14	17,221,607	–	17,221,607	17,221,607
		36,679,686	–	36,679,686	36,679,686
Finance lease liabilities	16	–	2,285,632	2,285,632	2,332,140
Trade and other payables#	17	–	12,989,984	12,989,984	12,989,984
		–	15,275,616	15,275,616	15,322,124
31 December 2012					
Trade and other receivables*	13	17,672,140	–	17,672,140	17,672,140
Cash and cash equivalents	14	12,441,968	–	12,441,968	12,441,968
		30,114,108	–	30,114,108	30,114,108
Fixed rate bank loans	16	–	87,866	87,866	87,866
Finance lease liabilities	16	–	3,086,761	3,086,761	3,006,414
Trade and other payables#	17	–	9,742,956	9,742,956	9,742,956
		–	12,917,583	12,917,583	12,837,236
Company					
31 December 2013					
Trade and other receivables*	13	20,038,950	–	20,038,950	20,038,950
Cash and cash equivalents	14	8,592,351	–	8,592,351	8,592,351
		28,631,301	–	28,631,301	28,631,301
Finance lease liabilities	16	–	2,284,992	2,284,992	2,331,410
Trade and other payables#	17	–	11,073,084	11,073,084	11,073,084
		–	13,358,076	13,358,076	13,404,494
31 December 2012					
Trade and other receivables*	13	15,496,805	–	15,496,805	15,496,805
Cash and cash equivalents	14	6,757,354	–	6,757,354	6,757,354
		22,254,159	–	22,254,159	22,254,159
Finance lease liabilities	16	–	3,078,721	3,078,721	2,998,374
Trade and other payables#	17	–	11,381,772	11,381,772	11,381,772
		–	14,460,493	14,460,493	14,380,146

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

26 Financial risk management (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:

	2013	2012
	%	%
Finance lease liabilities	1.38	1.20
Unsecured fixed rate bank loans	Nil	5.00

27 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 7.

(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

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.

27 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.

(f) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

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

	Level 1 $	Level 2 $	Level 3 $	Total $
Group				
31 December 2013				
Trade and other receivables	–	19,458,079	–	19,458,079
Cash and cash equivalents	–	17,221,607	–	17,221,607
	–	36,679,686	–	36,679,686
Finance lease liabilities	–	2,332,140	–	2,332,140
Company				
31 December 2013				
Trade and other receivables	–	20,038,950	–	20,038,950
Cash and cash equivalents	–	8,592,351	–	8,592,351
	–	28,631,301	–	28,631,301
Finance lease liabilities	–	2,331,410	–	2,331,410

27 Determination of fair values (continued)

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

	<-------------------------- Fair value			------------------------>
	Level 1	Level 2	Level 3	Total
2013	**$'000**	**$'000**	**$'000**	**$'000**
The Group				
Non-financial assets measured at fair value				
Investment properties	–	–	1,620,000	1,620,000
The Company				
Non-financial assets measured at fair value				
Investment properties	–	–	1,310,000	1,310,000

Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring significant Level 3 fair values, as well as the significant unobservable inputs used.

Type	Valuation method	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties			
Commercial properties for leasing when prices per square feet ("psf") for comparable properties are available	Market comparison approach	Sale prices ranging from $1,190 to $1,340 psf for the office units; Sale prices ranging from $81 to $120 psf for the workshop	A significant increase in average sale prices would result in a significantly higher fair value measurement.

Valuation processes applied by the Group

The significant non-financial asset of the Group categorised within Level 3 of the fair value hierarchy is investment properties. Generally, the fair values of investment properties are determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The independent property valuer provides the fair value of the Group's investment properties every year. The valuation and its financial impact are discussed with the Audit Committee and Board of Directors in accordance with the Group's reporting policies.

28 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.

28 Related party transactions (continued)

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	
	2013	**2012**
	$	**$**
Directors' fees	144,382	102,319
Directors' remunerations	1,262,088	1,248,357
	1,406,470	1,350,676

29 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	
	2013	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
Within one year	469,112	365,958	452,570	365,958
Between one and five years	2,172,443	1,418,246	2,119,733	1,418,246
More than five years	667,179	806,780	661,091	806,780
	3,308,734	2,590,984	3,233,394	2,590,984

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.

29 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	
	2013	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
Within one year	72,965	72,246	26,657	28,146
Between one and five years	–	–	–	–
	72,965	72,246	26,657	28,146

The Group sub-lets its factory and plant and equipment premises under non-cancellable operating lease, which expires in 2014.

Statistics Of Shareholdings

AS AT 10TH MARCH 2014

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

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	0	0.00	0	0.00
1,000 - 10,000	527	39.74	2,347,000	0.56
10,001 - 1,000,000	778	58.67	70,658,000	16.96
1,000,001 & ABOVE	21	1.59	343,703,000	82.48
TOTAL	**1,326**	**100.00**	**416,708,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO	NAMES	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 PRIVATE LIMITED	4,226,000	1.01
10.	DMG & PARTNERS SECURITIES PTE LTD	3,262,000	0.78
11.	MAYBANK KIM ENG SECURITIES PTE LTD	3,170,000	0.76
12.	THNG KIAN TONG	2,325,000	0.56
13.	KOH SER KIONG	2,150,000	0.52
14.	NG HIAN CHOW	2,100,000	0.50
15.	PHILLIP SECURITIES PTE LTD	2,015,000	0.48
16.	DBS NOMINEES (PRIVATE) LIMITED	1,501,000	0.36
17.	OCBC SECURITIES PRIVATE LIMITED	1,420,000	0.34
18.	TAY HWA LANG	1,300,000	0.31
19.	TAN HAI PENG MICHEAL	1,250,000	0.30
20.	HONG LEONG FINANCE NOMINEES PTE LTD	1,200,000	0.29
	TOTAL	**342,505,000**	**82.19**

RULE 723 COMPLIANCE

Based on the information available to the Company as at 10 March 2014, approximately 31.80% 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	-	-

* **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 Wednesday, 16 April 2014 at 10.00 am, for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the audited financial statements for the financial year ended 31 December 2013 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) Cheng Woei Fen **[Resolution 2(i)]**
   ii) Peter Sim Swee Yam [See Explanatory Note 1] **[Resolution 2(ii)]**

3. To re-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) and a special dividend of 0.09 cents per ordinary share tax-exempt (one-tier) for the financial year ended 31 December 2013 ("FY2013") **[Resolution 4]**

5. To approve Directors' fees of up to S$115,000 for the financial year ending 31 December 2014 ("FY2014") to be payable quarterly in arrears (Previous year: S$145,000). **[Resolution 5]**

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

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

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary 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, 01 April 2014

Explanatory Notes:
1 Peter Sim Swee Yam, if re-elected, will be considered an independent non-executive director and will remain as the Chairman of the Remuneration Committee and a member of both the Audit and the Nominating Committees.
2 Lau Teik Soon, if appointed, will be considered an independent non-executive director and will remain as the Chairman of the Nominating Committee and a member of both the Audit and the Remuneration Committees.
3. Resolution 7, if passed, will authorise and empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue further shares and to make or grant convertible securities convertible into shares, and to issue shares in pursuance of such instruments, up to an amount not exceeding in aggregate 50 percent of the total number of issued shares (excluding treasury shares) of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20 percent of the total number of issued shares (excluding treasury shares) of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

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

Notes:
(a) A member entitled to attend and vote at the Annual General Meeting may appoint not more than two proxies to attend and vote in his/her stead. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. A proxy need not be a member of the Company.
(b) If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
(c) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 35 Tuas Road, Jurong Town, Singapore 638496 not less than 48 hours before the time appointed for holding the Annual General Meeting.

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

Proxy Form

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

I/We____NRIC/Passport No.____________________________________
of ____ (Address)
being a member/members of MUN SIONG ENGINEERING LIMITED (the "Company") hereby appoint

Name	Address	NRIC/Passport No.	Proportion of Share-holdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Share-holdings (%)

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 Wednesday, 16 April 2014 at 10.00 am, and at any adjournment thereof.

I/We have directed my/our proxy/proxies to vote for or against the Resolutions to be proposed at the 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"** *i*n 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 2013		
2(i)	Re-election of Cheng Woei Fen as a Director		
2(ii)	Re-election of Peter Sim Swee Yam as a Director		
3	Re-appointment of Lau Teik Soon as a Director		
4	Declaration of Dividends		
5	Approval of Directors' fees for FY2014		
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 ________________ 2014

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.

Affix postage stamp here

MUN SIONG ENGINEERING LIMITED
35 TUAS ROAD
JURONG TOWN
SINGAPORE 638496

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Corporate Information

BOARD OF DIRECTORS
Cheng Woei Fen
(Executive Chairman)

Quek Chiau Liong
(Managing Director)

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

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

Lau Teik Soon
(Non-Executive and Independent Director)

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

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

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

EXECUTIVE COMMITTEE
Cheng Woei Fen
(Executive Chairman)

Quek Chiau Liong
(Managing Director)

Lin Yan
(Senior Director, Electrical and Instrumentation)

Lim Fung Suan
(Senior Director, Maintenance)

COMPANY SECRETARY
Seah Hai Yang, FCA

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
Company Reg. No. 196900250M

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Singapore 638496
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