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MUN SIONG ENGINEERING LIMITED

CUSTOMERS AND
MANAGEMENT DIVERSITY

ANNUAL REPORT 2014

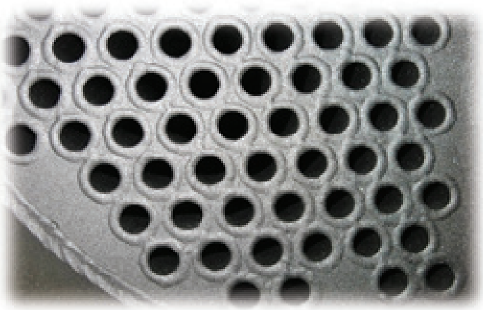
CORPORATE PROFILE

Fabrication and Assembly of Skid

Piping works

Installation of Transformer

Tankage Project



Specialised Coating

Mun Siong Engineering Limited is a company which has more than 45 years of proven track record serving global leaders with strong competencies in providing plant services and turnkey projects in piping and steel structure fabrication, static and rotating mechanical equipment detailed engineering and supply; electrical and instrumentation services and scaffolding works for process plants and modules for the oil, gas, petrochemicals, energy, chemicals and power industries.

We are in the forefront when it comes to maintenance works and turnkey projects. We have successfully completed numerous green and brownfield construction of plants and facilities; turnaround and de-bottlenecking projects.

As an integrated service provider, Mun Siong Group is also able to provide design and engineering solutions and the ability to deliver superior quality products and services to its customers.

VISION

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

MISSION

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

CORE VALUES

Customer Focus
Safety
Quality
Leadership
Teamwork

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CORPORATE STRUCTURE

MUN SIONG
ENGINEERING PTE LTD

Mechanical Engineering
- Fabrication and Erection of Steel Structures;
- Fixed Equipment and Piping work
- Plant Shut-down / Turnaround Management
- Construction of Storage Tanks
- Revamps and Debottlenecking projects
- Construction and Commission of Plants
- Exchanger Re-tubing
- Tube Shooting Services for Heat Exchanger
- On-site Flange Re-facing
- Ultra-high Pressure Abrasives Water-jet Cutting Services
- High-torque Rotary Drilling Services
- Mechanical De-coking of Heaters
- Anti-Corrosion and Anti-Wear Coatings (Curran Coating)

OHM
ENGINEERING PTE LTD

Electrical & Instrumentation
- Transformers, Switchgears and Control Panel Installation and Maintenance
- Electrical and Instrumentation Installation and Maintenance
- Calibration and Testing of Instruments
- Loop Check, Testing and Pre-Commissioning
- Excavation and Cable Laying
- Design and Fabrication of Instrumentation and Control Systems
- Installation of Distribution Control System
- PLC Solutions

WING WAH
INDUSTRIAL SERVICES

Rotating Equipment
- Servicing, Repairing and Overhauling of Equipment
- On Site Removal, Repair and Installation of Equipment
- Dynamic Balancing of rotors and impellers
- Condition Monitoring
- Preventive Maintenance
- Fabrication and assembly of equipment packages
- Supply of pumps; including sizing and specifications according to standards

PEGASUS ADVANCE
ENGINEERING PTE LTD

Scaffolding Works
- Construction of Tower, Hanging, Cantilever and Mobile Scaffold
- Provision of Special PE Designed Scaffold for Lifting and Platform Loading

MUN SIONG
ENGINEERING SDN BHD

CORPORATE SOCIAL RESPONSIBILITY

Mun Siong Group is a socially responsible turnkey solution provider. As a good corporate citizen, we strive to incorporate best practices in our business in a sustainable manner that is responsive to the changing economic, social, governance as well as environmental conditions to contribute fully to our communities. We foster a creative and supportive work environment for our employees and recognize the benefits of a diverse workforce. We provide products and services excellence to our customers. We aspire to minimise our impact to the environment through energy conservation and waste management.

EMPLOYEES

We adopt fair employment and to provide a safe and well bonded working environment for our employees. We put the well being of our employees at the heart of our business.

As a testament to our enduring commitment to ensure a safe working environment; employees are incentivized with safety vouchers and frequent safety campaigns organized to refresh, remind and recognize good practices.

We also recognize staff for their commitment. Team buildings and away day activities were organized for employees of the Group with the aim to ensure employees' physical and mental health resilience and also to foster a harmonious employer-employee relationship to cultivate a healthy, happy and productive workforce.

COMMUNITY

The Group has long standing tradition in paying back to the society in various areas, ranging from supporting education bursaries, organising educational talks, to caring for the less fortunate and the disadvantaged.
The group organized a Bangkok orphanage visit and sponsored bicycles to the less fortunate orphans. In December, in the spirit of bringing festive joy to the Association of Deaf and children society; the Group took part in the Children's Charities Association Christmas Fair 2014.

SERVICES AND PRODUCTS EXCELLENCE

Mun Siong Group recognises our responsibility to adopt fair value and competitive based policies to procure reliable and quality supplies and to deliver safe, quality and on schedule services of the highest standards to our customers to pursue mutually beneficial business objectives. This is evident in the Group securing additional term maintenance contracts and the increase in product manufacturers engaging us to promote and deliver their products and services to our customers.

ENVIRONMENT

Environmental conservation remains a key focus area for Mun Siong Group. The conscientious use of resources and adoption of best practices across our operating units underlies our commitment to safeguarding our environment.

In November, the Group's employees participated in the Seashore Life program to clean the East Coast beach.


Employees Engagement Event

Seashore Life Program

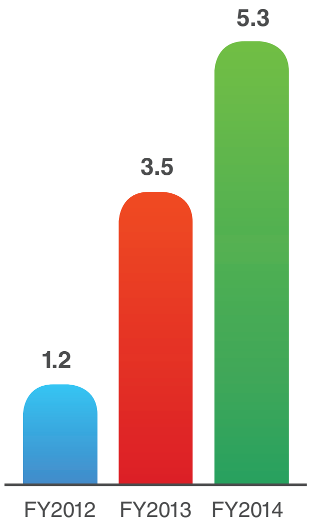
Educational Talk

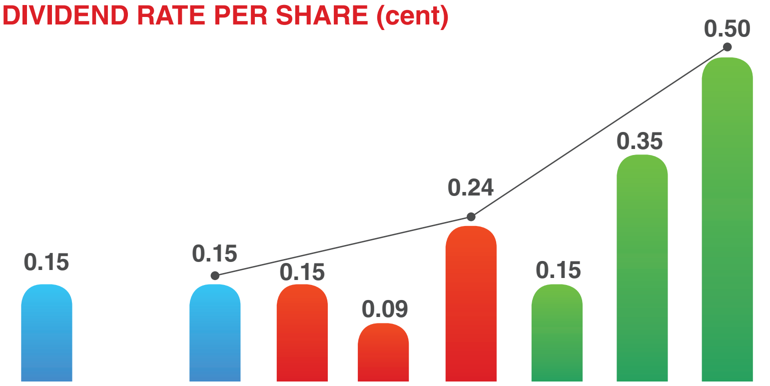
Children's Charities 2014

FINANCIAL HIGHLIGHTS

GROUP REVENUE (S$'M)

PROFIT BEFORE TAX (S$'M)





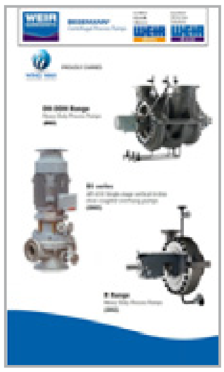
DIVIDEND RATE PER SHARE (cent)

Ordinary	Special	Total	Ordinary	Special	Total	Ordinary	Special	Total
FY2012			FY2013			FY2014		

Wing Wah the Rotating Equipment Specialist

FINANCIAL CALENDER 2015 (Tentative Dates)

16 February	**Announcement of FY2014 Results**
22 April	Annual General Meeting for FY2014
6 May	Announcement of 1Q FY2015 Results
6 August	Announcement of 2Q FY2015 Results
6 November	Announcement of 3Q FY2015 Results



EXECUTIVE CHAIRLADY'S MESSAGE

"We delicate ourselves to serve our shareholders and business partners.

For our shareholders we continue to maximise your returns and uphold strong corporate governance.

For our business partners we strive to deliver service excellence with strong emphasis on quality and safety."

CHENG WOEI FEN
Executive Chairlady

DEAR SHAREHOLDERS, BUSINESS PARTNERS AND COLLEAGUES

As stated in our last annual report, we saw FY2014 to be challenging and were cautiously optimistic in our business outlook.

Our anticipation has led us to heighten our preparedness. Mun Siong and its subsidiary companies (the "Group") met these challenges head on and resoundingly overcome many of them.

Our Group continued to enjoy another year of strong profitability growth, both in margins and dollar value, while maintaining our revenue.

Turnkey specialist at work

FINANCIAL REVIEW

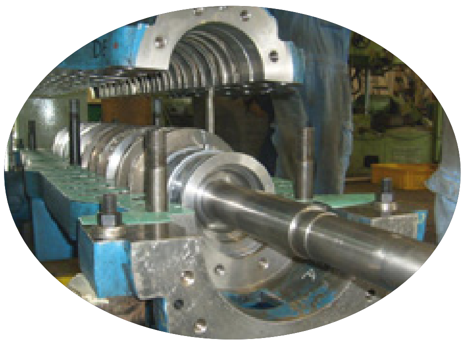
Our financial performance

Profitability and profit margins (both net and gross) of the Group saw significant improvements in FY2014.

The Group's gross profit margin was S$11.9 million in FY2014 as compared to S$9.5 million in FY2013. Profit before income tax in FY2013 was S$3.5 million, while in FY2014, profit before income tax improved by 53.9% to S$5.3 million. This was despite a marginal decrease in revenue in FY2014 as compared to FY2013.

The Group's gross profit margin in FY2014 was 14.9% as compared to 11.6% in FY2013, an improvement of 28.4%.

Profit margin before income tax in FY2014 was 6.7% as compared to 4.2% in FY2013. This was an improvement of 59.5%.



Multistage pump overhauling

Mechanization using Auto Bundle Puller

Specialised Coating

Fabrication of New Bundle

Our financial position

The Group's shareholders' funds as at 31 December 2014 was S$54.4 million as compared to S$50.4 million as at 31 December 2013. This was despite dividends payment of S$1.0 million to shareholders. The growth in the Group's shareholders' funds was substantially attributed to profitability.

The Group continues to enjoy a strong working capital position, as at 31 December 2014 it was S$35.9 million (of which S$15.5 million was in cash and cash equivalents) as compared to S$30.1 million (of which S$17.2 million was in cash and cash equivalents) as at 31 December 2013. The lower cash and cash equivalents was due to the need to support the operations of the Group, especially the work-in-progress and trade receivables.

BUSINESS REVIEW

Currently, the Group's range of services includes piping, tankage, mechanical (static and rotating), electrical and instrumentation and scaffolding activities.

Mechanical Engineering

In 2014, this segment contributed to 86.6% of the Group's revenue. Revenue was mainly derived from works on expansion, tankage and turnarounds.

Our strong project management capabilities has allowed us to complete our works on schedule and in a particular project (at the request of our client) we were asked to provide "crisis management" as the other service provider was unable to meet the client's quality standards. With the consistent quality and safe delivery of our services to the clients, it has gained us an additional term maintenance contract with a new client located in Jurong Island.

Electrical, Instrumentation and others Services

These services contribute to 13.4% of the Group's revenue. Existing business relationship with a multi-national oil company was further solidified with the renewal of a term service maintenance contract and a new relationship was established with the award of a new term service maintenance contract.

During the financial year, the Group undertook a number of strategic initiatives, these include:

- provision of scaffolding services
- being appointed as an authorized service provider for various equipment that supports both the on-shore and off-shore oil and gas; petrochemicals, energy, chemicals and power industries. These include different types of pumps, compressors and mechanical seals;
- being appointed as an authorized service provider to a global differentiated power management solutions provider, who manufactures and supplies products and service powertrain products and systems for the global equipment manufacturers.

Pump Overhaul

EXECUTIVE CHAIRLADY'S MESSAGE

AWARDS

In 2014, the Group won the following awards in recognition of our achievement in outstanding safety records and commitment to improve the quality of life in the communities where our employees work and live.

WSH Performance Awards (Silver);

WSH Award for Supervisors;

Silver award in WSH Innovation Award 2014;

bizSAFE Enterprise Exemplary Award; and

bizSAFE Enterprise Progressive Awards

STRATEGIES TO MAINTAINING COMPETITIVENESS

Towards project tendering

The Group will continue to be selective in its tendering for new projects or jobs, maximising the returns on its production assets - human resource and capital employed. Stringent cost control and project management will continue to ensure that profit margins will be maximised.

Towards our business

Since 2013, the management has been widening the range of products and services to its customers. This has resulted in the Group adding specialised coatings, scaffolding, overhauling and maintenance of rotating equipment, supply of pumps and fabrication of equipment skid to its capabilities. The Group has also been active in seeking business opportunities in neighbouring countries. However, the Group continues to adopt a cautious stance in its business expansion. This is to ensure that the Group's overall business risk does not increase substantially.

INDUSTRY AND BUSINESS OUTLOOKS

The concerns

The Group's management view the recent volatility in oil prices in global commodities markets to have an impact on the Group's ability to continue to secure new projects and maintain profitability. In the event that oil prices continue to trade at low levels, the Group's key customers may be forced to review their investment plans for new facilities and upgrading of current facilities. This may result in deferment or cancellation of their investments plans or a scaled down on the value of their investment. In either case, the Group's profitability will be negatively affected.

Winner of BizSafe Exemplary and Progressive Award

WSH Performance Award

EXECUTIVE CHAIRLADY'S MESSAGE

The silver lining

It is also noted that with a decline in oil prices, the opportunity cost to facility owners to shut down and upgrade or maintain current production facilities will be substantially lower. The Group currently holds a number of maintenance contracts for major production facilities. This will put the Group in a good position to take advantage of such business opportunities.

To-date, the economic benefit of lower oil prices to major global economies is yet to be felt. It is thought that a lower oil price may booster economic growth and consumptions by consumers (due to saving arising from cheaper oil prices). In the event that the economic benefits of cheaper oil prices are able to stimulate economic growth, our key customers may continue to embark on their investment plans for new or upgrade existing facilities.

DIVIDEND

We continue to reward our shareholders.

For FY2014, the Board of Directors is pleased to propose a total cash dividend of 0.50 cents per share comprising a tax-exempt (one-tier) final dividend of 0.15 cents per share and a tax-exempt (one-tier) special dividend of 0.35 cents per share.

This represents an increase of 108.3% over dividends paid in FY2013 and a distribution of about 60.0% of the Group's attributable profit after income tax.

The proposed final and special dividend is subject to shareholders' approval at the Annual General Meeting to be held on 22nd April 2015. If approved, the pay-out will be made on 28th May 2015.

ACKNOWLEGEMENT

To prepare for management succession, we welcome Mr Quek Kian Hui to our Board of Directors. Mr Quek joined us as an executive director and prior to joining us he was employed as an engineer by a multi-national oil and gas contractor.

We are delighted and privileged to have three non-executive independent directors who have shown relentless commitment to the Group, and bringing with them years of extensive experience, strong business acumen and knowledge; which are invaluable to our Group. We are grateful for the unwavering support that our shareholders, business partners, suppliers and colleagues have shown. These have motivated me and my fellow directors to meet head on the many challenges of a highly volatile market place and to bring Mun Siong to greater heights. We look forward to your continual support and confidence.

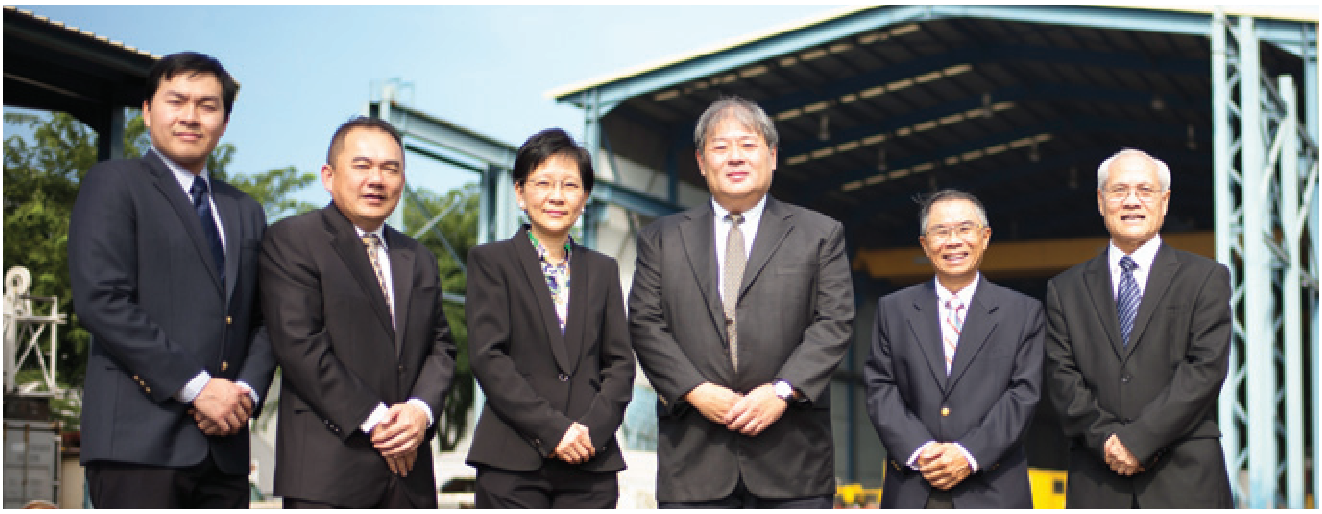
Thank you.

CHENG WOEI FEN
Executive Chairlady

Sports activities for the staff

Job fair at e2i

BOARD OF DIRECTORS



From Left to Right : Quek Kian Hui, Quek Chiau Long, Cheng Woei Fen, David Tan Chao Hsiung, Peter Sim Swee Yam, Lau Teik Soon

CHENG WOEI FEN
Executive Chairlady

Ms Cheng was first appointed to the Board in 1981 and was last re-elected as a director on 16 April 2014. She spearheaded the acquisitions of the Group's subsidiaries and is responsible for the effective integration and alignment of the Group's business strategy as well as the development of the Group's business. She also chairs the Executive Committee.

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

QUEK CHIAU LIONG
Managing Director

Mr Quek was appointed Managing Director of Mun Siong Engineering in April 2007 and was re-elected as a director on 9 April 2013. He is responsible for the overall management and business expansion of our Group. He is a member of the Executive Committee. Mr. Quek holds a diploma in Mechanical Engineering from Ngee Ann Polytechnic. He is also director in all the subsidiary companies under the Mun Siong Group.

QUEK KIAN HUI
Executive Director

Mr Quek was appointed as an Executive Director of Mun Siong Engineering by the Board on 16 June 2014. He is responsible for the overall management of Wing Wah Industrial Services Pte Ltd. He is a member of the Executive Committee.

Mr Quek holds a MBA and a Bachelor's degree in Mechanical Engineering from Purdue University, USA. He was a mechanical rotating engineer with Chiyoda Singapore (Pte) Ltd before leaving to pursue his MBA.

DAVID TAN CHAO HSIUNG
Non-Executive and Lead Independent Director

Mr Tan was appointed a Director on 1 October 2012 and was last re-elected 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 has held positions in both local and foreign financial institutions. Currently, he is an independent director with Powermatic Data Systems Ltd.

Mr Tan holds a Master of Commerce (specialising in Finance) from the University of New South Wales and a Bachelor of Economics from Macquarie University. He is also a Fellow of the Institute of CPA (Australia).

PETER SIM SWEE YAM
Non-Executive and Independent Director

Mr Peter Sim Swee Yam, BBM, PBM was appointed a Director in October 2010 and was last re-elected as a director on 16 April 2014. He is the Chairman of the Remuneration Committee and is a member of the Audit Committee and the Nominating Committee. Mr Sim is a solicitor by profession and a director of the law firm, Sim Law Practice LLC.

Mr Sim is currently an independent director of Haw Par Corporation Ltd, Marco Polo Marine Ltd and Lum Chang Holdings Ltd. He sits on the Board of the Young Men's Christian Association (YMCA) of Singapore and the Singapore Heart Foundation. Mr Sim holds a degree in Law from the University of Singapore (now known as the National University of Singapore).

LAU TEIK SOON
Non-Executive and Independent Director

Dr Lau Teik Soon was first appointed a non-executive director at the Annual General Meeting on 9 April 2013. 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 of Lau & Chandra LLP. He has been involved in various areas of practice, including criminal and civil litigation, family law and arbitration.

Dr Lau currently sits on the Board of Ryobi Kiso Holdings Ltd as an independent director (since 2009) and was a former independent director with Hock Liang Seng Holdings Ltd (till 2013).

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

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 2014 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.

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

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

	Board			Audit Committee			Nominating Committee			Remuneration Committee		
	No. of meetings			No. of meetings			No. of meetings			No. of meetings		
	Position	Held	Attended	Position	Held	Attended	Position	Held	Attended	Position	Held	Attended
Executive Directors												
Cheng Woei Fen	C	4	4	NA	4	4#	NA	1	1#	NA	1	1#
Quek Chiau Liong	M	4	4	NA	4	4#	NA	1	1#	NA	1	1#
Quek Kian Hui[1]	M	2	2	NA	2	2#	NA	-	-	NA	-	-
Non-Executive Directors												
David Tan Chao Hsiung	M	4	4	C	4	4	M	1	1	M	1	1
Peter Sim Swee Yam	M	4	4	M	4	4	M	1	1	C	1	1
Lau Teik Soon	M	4	4	M	4	4	C	1	1	M	1	1

C: Chairman; M: Member
 # By invitation
[1]Appointed on 16 June 2014

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.*

The present Board comprises six 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 Chairlady	31 October 1981	16 April 2014
Quek Chiau Liong*	Executive Director and Managing Director	28 June 1993	9 April 2013
Quek Kian Hui*	Executive Director	16 June 2014	Appointed by the Board
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	16 April 2014
Lau Teik Soon	Non-Executive and Independent Director	9 April 2013	16 April 2014

* *Quek Chiau Liong is the stepson of Cheng Woei Fen; Quek Kian Hui is the son of Cheng Woei Fen.*

A description of the background of each director is presented in the "Board of Directors" section of this annual report. As a group, the directors bring with them a broad and diverse range of industry knowledge, expertise and working experience in areas such as accounting and finance (including 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 half 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.

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 (in our Company, Chairlady), Cheng Woei Fen whom is also an executive director, is responsible for leading the Board and facilitating its effectiveness. She promotes high standards of corporate governance on the Board and within the Group. The Managing Director, Quek Chiau Liong, is an executive director responsible for the business direction, strategic positioning and business expansion of the Group.

The Chairlady ensures that the Board meetings are held as and when necessary. She leads the Board to ensure its effectiveness and approves the agenda of each Board meeting in consultation with the Managing Director. The Chairlady 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 Chairlady will ensure that adequate time is available for discussion of all agenda items, in particular strategic issues. The Chairlady monitors communications and relations between the Company and its shareholders, between the Board and Management, and between the non-executive and executive directors, with a view to encouraging a culture of openness, constructive relations and dialogue amongst them. The Chairlady works to facilitate the effective contribution of non-executive and independent directors.

The foregoing responsibilities of the Chairlady are included in the above mentioned guidelines endorsed by the Board.

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 Chairlady, 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 Chairlady after such meetings.

During the financial year, the non-executive and independent directors have met several times (without the presence of management) both formally and informally; notably, meetings to discuss the appointment of a related person as an executive director and service contracts of the key management staff (including the executive directors).

Board Membership

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

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

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

The Nominating Committee held one formal and several informal meetings during the financial year.

Notably, during the financial year, the Nominating Committee reviewed the suitability of the appointment of Quek Kian Hui as an executive director, whom is the son of Cheng Woei Fen (the Chairlady) and step-brother of Quek Chiau Liong (the Managing Director). The Nominating Committee is of the view that the appointment of Quek Kian Hui is in the interest of the Group as it facilitates management succession and he has the necessary work experience.

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 Chairlady of the Board will give feedback to the Nominating Committee on the appointment of new directors or retirement or resignation of existing directors, following the outcome of an annual performance evaluation of individual directors, and the Nominating Committee will take into consideration her views in this regard;

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

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

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 Chairlady 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 Chairlady of the Board. The Chairlady 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, David Tan Chao Hsiung and Quek Chiau Liong are the two directors retiring via rotation at the forthcoming AGM. Both directors are eligible and had consented for re-election. The Nominating Committee, having considered their performance and contributions, has recommended these two retiring directors for re-election at the forthcoming AGM. Subject to being duly re-elected at the forthcoming AGM, David Tan will remain as the Lead Independent Director and Chairman of the Audit Committee and also as a member of the Remuneration Committee and the Nominating Committee while Quek Chiau Liong will remain as the Managing Director.

Quek Kian Hui was appointed as an Executive Director by the Board on 16 June 2014. Pursuant to Article 102, he will retire at the forthcoming AGM and being eligible, has consented for re-election. The Nominating Committee has considered his performance and contributions since his appointment and has recommended him for re-election as a director.

Lau Teik Soon was re-appointed as a director at the AGM on 16 April 2014 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 Chairlady, 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. During the year, the Company has appointed an additional Company Secretary to assist the Chief Financial Officer who is concurrently the Company Secretary. At least one Company Secretary is present at all meetings of the Board and ensures that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary also attends all meetings of the Audit Committee, Remuneration Committee and Nominating Committee. Under the direction of the 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.

During the financial year, the Remuneration Committee, has reviewed the remuneration terms and conditions offered to Quek Kian Hui. It is satisfied that the remuneration terms and conditions are reasonable and are in line with the Group's existing human resource policies.

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 Chairlady 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.

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. The extent of the claw-back on incentive component has been capped at up to the amount paid over the past 3 financial years.

Disclosure on Remuneration

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

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

The service agreements of Cheng Woei Fen and Quek Chiau Liong were renewed in FY2013 for a further 3 years. Similar to their 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 key management personnel, their variable or performance related bonuses, beside individual performance, are also based on the Group's profitability.

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

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

Remuneration table

		Breakdown in percentage				
	Total Remuneration	**Base/fixed salary**	**Director's fees**	**Variable or performance-related income/bonuses**	**Benefits in kind**	**Total**
	$'000	**%**	**%**	**%**	**%**	**%**
Directors						
Cheng Woei Fen	374	59.4	–	27.8	12.8	100.0
Quek Chiau Liong	341	55.6	–	30.3	14.1	100.0
Quek Kian Hui (appointed on 16 Jun 2014)	43	83.4	–	8.2	8.4	100.0
David Tan Chao Hsiung	41	–	100.0	–	–	100.0
Peter Sim Swee Yam	35	–	100.0	–	–	100.0
Lau Teik Soon	36	–	100.0	–	–	100.0

	Breakdown in percentage				
	Base/fixed salary	Director's fees	Variable or performance-related income/bonuses	Benefits in kind	Total
	%	%	%	%	%
Top 5 management personnel					
Above $250,000 and below $500,000					
Lin Yan	50.3	–	38.7	11.0	100.0
Below $250,000					
Seah Hai Yang	87.5	–	10.4	2.1	100.0
Lim Fung Suan	77.0	–	6.1	16.9	100.0
Wei Qian	87.0	–	6.6	6.4	100.0
Chong Siew Lian	86.2	–	10.1	3.7	100.0

The total remuneration for the above key management personnel is $1,003,000.

There is no employee who is an immediate family member of a director whose remuneration exceeds $50,000 during the year under review. The aggregate remuneration paid to employees who are related to the Chairlady and Managing Director was approximately $91,000 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 has an established process for the governance of risk management framework and policies. The frame work is formulated in compliance to the Government policies and listing requirements. They are governed by the executive committee of the Group to ensuring the adequacy of risk management. The Audit Committee acts as an extra gate keeper to ensure governance of risk management. The key framework and policies on risk management are summarized as follow:

Contract pricing and operational risks

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

The Group has established an approval process that is based on the project value as a percentage of the Group shareholders' funds. Projects that are below a certain percentage of the Group's shareholders' funds are approved by the Chairlady and 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 management of the Group manages this risk by holding regular meetings with the project execution team to discuss and solve issues that are being raised and observed from the site inspection on work progress.

Safety risk

The Group operates in an industry where safety ranks as one of its top priorities by the customers. In order to ensure that the Group provides a reasonable and practicable safe working environment to our employees, the Group has a safety committee that ensures that the Group meets the safety requirements imposed by its customers and the relevant authorities. The safety procedures of the Group are further audited periodically by an external body. The Group also provides training to its staff regularly on safety procedures.

Information system risk

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

Foreign currencies risk

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

Market concentration risk

The Group is currently dependent on Singapore for its main source of revenue. The Group's main customers 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.

Over the few years, the Group has undertaken a number of initiatives to diversify its revenue base. These includes, the acquisition of Wing Wah Industrial Services Pte Ltd (overhauling and maintenance of rotating equipment, authorized distributor of several types of pumps and fabrication of equipment skids), establishment of Pegasus Advance Engineering Pte Ltd to provide scaffolding services and providing specialized coating services.

The Group will continue to seek business opportunities so as to widen its customer base and to reduce its dependence on the Singapore economy and the process industry. However, to avoid a substantial increase in the Group's business risk profile, it will continue to seek business opportunities within the area of its key competencies.

Human resource risk

The Group is a service provider and is dependent on its human resource to achieve profitability and retain customers. The Group faces risk of not being able to retain its pool of human resource. In order to retain and attract new talents, it provides staff with essential training and transparent career succession planning map.

Assurances from the Chairlady, Managing Director and Chief Financial Officer:

In addition, the Board has received assurances from the Chairlady, 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 with written terms of reference which clearly set out its authority and duties.

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

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

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

The Audit Committee held four formal meetings during the financial year. These meetings were 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.

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

Auditors' independence

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

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

	Audit fee	Non-audit fee
Fee paid to external auditors	S$118,000	S$6,500

Compliance with SGX Mainboard Rule 712, Rule 715 and Rule 716

The Audit Committee is satisfied that the Group has complied with Rules 712, Rule 715 and Rule 716 of the SGX Mainboard Rules in relation to its selection and appointment of auditing firms.

Whistle blowing programme

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

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, save for legal fee of $1,965 paid to a firm of which Peter Sim Swee Yam (a non-executive and independent director) is a director and shareholder. The Audit Committee and the Board, with Peter Sim Swee Yam abstaining, had concurred the fee to be on arms' length basis and the quantum is immaterial.

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 Chairlady. The appointment, removal, evaluation and compensation of the Internal Auditor is decided by the Audit Committee. The Audit Committee will ensure that the Internal Auditor is qualified and appropriate to undertake the tasks and have unfettered access to the Audit Committee in carrying out its entrusted tasks.

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

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

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

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 the external auditors and is satisfied on the robustness and effectiveness of the internal controls. The Audit Committee is satisfied that the Management has devised and maintained a system of internal accounting controls that is sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheet and to maintain accountability of assets.

Based on the internal controls established and maintained by the Group, work performed by the Internal Auditors and work performed by the external auditors, and reviews performed by Management, various Board Committees and the Board, the Audit Committee and the Board are of the opinion that the Group's internal controls are adequate and effective to address the financial, operational, information technology controls and compliance risks and the risk management systems.

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

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights and Communication with Shareholders

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

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

All shareholders of the Company receive the Annual Report and Notice of Annual General Meeting ("AGM") yearly. The 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.

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' decisions in investing in the Company's shares, for example, events affecting financial performance, changes in business plans, announcement of financial results and annual reports are announced or issued within the mandatory period as prescribed under the SGX-ST listing rules.

Currently, the Company does not maintain a definitive dividend policy. The amount of dividend proposed or declared is subject to 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 2014, the Board has proposed, subject to shareholders' approval at the AGM, a total dividend of 0.50 cents per share (compared to 0.24 cents per share for FY2013) comprising a first and final dividend of 0.15 cents per share tax-exempt (one-tier) (unchanged for FY2013) and a special dividend of 0.35 cents per share tax-exempt (one-tier) (compared to 0.09 cents per share for FY2013).

The total dividend proposed for FY2014 is expected to be between S$2.7 million (based on the number of shares outstanding as at the date of this annual report) and S$2.9 million (assuming that all the outstanding warrants are exercised prior to Books Closure Date) as compared to S$1.0 million paid in respect of FY2013. The substantial increase in special dividend proposed for FY2014 (on a per share basis) reflects the Group's increase in profitability as compared to FY2013.

For FY2014, the total dividend payout (subject to approval) represents about 60.0% 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.

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 forthcoming annual general meeting will be held in Singapore, the same as those of its previous annual general meetings. 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 Proceeds from IPO and Warrant Issue

a) Warrant Issue

In September 2014, the Company raised gross proceeds of S$250K from the subscription of 166,683,200 warrants at the issue price of S$0.0015 per warrant (the "Warrants Issue"). After deducting the professional fees as well as related expenses for the Warrants Issue, finalised net proceeds is S$77K.

As at the date of this annual report, the Company had fully utilized the net proceeds of S$77K to purchase materials for operations. The utilization is in accordance with its intended purpose as working capital as disclosed in the Offer Information Statement dated 18 August 2014.

As at the date of this report, 122,147,600 warrants had been exercised since the issue of the warrants and a total proceed of S$1.2 million was raised and is still unutilised.

(b) IPO Proceeds

The proceeds raised from the Company's IPO, after deducting listing expenses of approximately S$2.5 million was approximately S$18.9 million. As at the date of this annual report, the 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		(1,781)	2,219
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	(9,109)	–
Total	**18,900**	**–**	**(16,222)**	**2,678**

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.

As at the date of this report, the carried forward balance of S$3.8 million earmarked under working capital purposes from the previous year had been fully utilised. Of the amount of S$3.8 million, S$0.5 million was utilised to acquire scaffolding materials, S$1.8 million was utilised to fund additional equipment and S$1.5 million was utilised to purchase materials and subcontracting services for operations and projects.

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 2014.

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
Quek Kian Hui (Appointed on 16 June 2014)

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the "Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

	Direct interests		**Deemed interests**	
Name of director and corporation in which interests are held	**Holdings at beginning of the year/ 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	24,240,000
Quek Chiau Liong	36,540,000	36,540,000	–	–
Peter Sim Swee Yam	100,000	100,000	–	–
Quek Kian Hui	24,222,000	25,532,000	–	–
Warrants				
Cheng Woei Fen	–	79,713,600	–	9,696,000
Quek Chiau Liong	–	14,616,000	–	–
Peter Sim Swee Yam	–	40,000	–	–
Quek Kian Hui	–	9,688,800	–	–

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

Except as disclosed in this 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 2015.

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

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in Note 31 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.

Warrants

On 11 September 2014, the Company issued 166,683,200 warrants upon completion of the Proposed Renounceable Non-underwritten Rights Issue of up to 166,683,200 warrants at an issue price of S$0.0015 for each warrant, as announced on 6 May 2014. The warrants were listed and quoted on the MainBoard of the SGX-ST on 15 September 2014. Each warrant carries the right to subscribe for one new ordinary share in the capital of the Company at an exercise price of S$0.01 for each new share over a period of three years from the date of the issue.

During the financial year, 5,128,200 warrants were exercised and converted into 5,128,200 ordinary shares.

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
- Peter Sim Swee Yam, non-executive director
- Lau Teik Soon, non-executive director

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

The Audit Committee 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 reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

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.

DIRECTORS' REPORT

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

16 March 2015

STATEMENT BY DIRECTORS

In our opinion:

(a) the financial statements set out on pages 31 to 72 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 2014 and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

Cheng Woei Fen
Director

Quek Chiau Liong
Director

16 March 2015

INDEPENDENT AUDITORS' REPORT

Members of the Company
Mun Siong Engineering Limited

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 2014, 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 information, as set out on pages 31 to 72.

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.

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 2014 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
16 March 2015

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2014

	Note	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Assets					
Property, plant and equipment	4	17,338	18,414	15,791	17,375
Intangible asset	5	1,189	1,338	1,189	1,338
Goodwill on consolidation	6	1,001	1,636	–	–
Investment properties	7	1,310	1,620	1,310	1,310
Subsidiaries	8	–	–	4,301	4,046
Jointly controlled entity	10	–	16	–	16
Deferred tax asset	9	62	228	–	–
Non-current assets		20,900	23,252	22,591	24,085
Inventories	11	250	279	250	279
Contract work-in-progress	12	10,700	5,869	9,075	1,740
Trade and other receivables	13	21,881	21,046	21,005	21,586
Cash and cash equivalents	14	15,538	17,222	4,515	8,592
Asset classified as held for sale	15	180	–	–	–
Current assets		48,549	44,416	34,845	32,197
Total assets		69,449	67,668	57,436	56,282
Equity					
Share capital	16	24,582	24,528	24,582	24,528
Capital reserve	17	75	–	75	–
Translation reserve	18	(6)	(10)	–	–
Retained earnings		29,763	25,902	19,055	16,797
Total equity		54,414	50,420	43,712	41,325
Liabilities					
Loans and borrowings	19	697	1,491	697	1,491
Provision for restoration costs	20	120	–	120	–
Deferred tax liabilities	9	1,570	1,458	1,421	1,411
Non-current liabilities		2,387	2,949	2,238	2,902
Trade and other payables	21	11,660	12,990	10,692	11,073
Excess of progress billings over contract work-in-progress	12	16	188	–	188
Loans and borrowings	19	794	794	794	794
Current tax payable		178	327	–	–
Current liabilities		12,648	14,299	11,486	12,055
Total liabilities		15,035	17,248	13,724	14,957
Total equity and liabilities		69,449	67,668	57,436	56,282

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	Note	2014 $'000	2013 $'000
Revenue	22	80,085	81,822
Cost of sales		(68,142)	(72,352)
Gross profit		11,943	9,470
Other income	23	1,030	908
Administrative expenses		(6,856)	(6,884)
Other operating (expenses)/income		(747)	12
Results from operating activities		5,370	3,506
Finance costs	24	(38)	(40)
Share of results of jointly controlled entity (net of tax)		–	(2)
Profit before tax	25	5,332	3,464
Tax expense	26	(471)	(374)
Profit for the year		4,861	3,090
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Foreign currency translation difference from foreign operation/Total other comprehensive income		4	(10)
Total comprehensive income for the year		4,865	3,080
Earnings per share			
Basic earnings per share (cents)	27	1.16	0.74
Diluted earnings per share (cents)	27	1.06	0.74

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Note	Share capital $'000	Translation reserve $'000	Retained earnings $'000	Total attributable to owners of the Company $'000	Non-controlling interests $'000	Total $'000
Group							
At 1 January 2013		24,528	–	23,437	47,965	500	48,465
Total comprehensive income for the year							
Profit for the year		–	–	3,090	3,090	–	3,090
Other comprehensive income							
Foreign currency translation difference from foreign operation		–	(10)	–	(10)	–	(10)
Total comprehensive income for the year		–	(10)	3,090	3,080	–	3,080
Transactions with owners, recognised directly in equity							
Distributions to owners							
Dividends	16	–	–	(625)	(625)	–	(625)
Changes in ownership interests in subsidiary							
Acquisition of non-controlling interests without a change in control		–	–	–	–	(500)	(500)
Total transactions with owners		–	–	(625)	(625)	(500)	(1,125)
At 31 December 2013		24,528	(10)	25,902	50,420	–	50,420

	Note	Share capital $'000	Capital reserve $'000	Translation reserve $'000	Retained earnings $'000	Total $'000
Group						
At 1 January 2014		24,528	–	(10)	25,902	50,420
Total comprehensive income for the year						
Profit for the year		–	–	–	4,861	4,861
Other comprehensive income						
Foreign currency translation difference from foreign operation		–	–	4	–	4
Total comprehensive income for the year		–	–	4	4,861	4,865
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Proceeds from issue of warrants (net of expenses)		–	77	–	–	77
Shares issued for exercise of warrants		54	(2)	–	–	52
Dividends	16	–	–	–	(1,000)	(1,000)
Total transactions with owners		54	75	–	(1,000)	(871)
At 31 December 2014		24,582	75	(6)	29,763	54,414

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Note	2014 $'000	2013 $'000
Cash flows from operating activities			
Profit before tax		5,332	3,464
Adjustments for:			
Depreciation of property, plant and equipment		3,443	3,256
Amortisation of intangible asset		149	149
Share of loss of jointly controlled entity		–	2
Interest expense		38	40
Property, plant and equipment written-off		8	65
Net gain on disposal of property, plant and equipment		(12)	(63)
Net change in fair value of investment properties		–	(80)
Impairment loss on goodwill on consolidation		635	–
Impairment loss on asset classified as held for sale		130	–
Interest income		(84)	(70)
		9,639	6,763
Changes in inventories		29	86
Changes in contract work-in-progress and excess of progress billings over contract work-in-progress		(5,049)	2,455
Changes in trade and other receivables		(835)	(2,638)
Changes in trade and other payables		(1,330)	3,247
Changes in provision for restoration costs		120	–
Cash generated from operating activities		2,574	9,913
Tax paid		(342)	(46)
Tax received		–	108
Net cash generated from operating activities		2,232	9,975
Cash flows from investing activities			
Interest received		84	70
Acquisition of a subsidiary, net of cash		–	(500)
Acquisition of property, plant and equipment		(2,329)	(1,830)
Acquisition of intangible asset		–	(1,487)
Proceeds from strike off of jointly controlled entity		16	–
Proceeds from disposal of property, plant and equipment		12	116
Net cash used in investing activities		(2,217)	(3,631)
Cash flows from financing activities			
Repayment of loans and borrowings		(794)	(889)
Dividends paid		(1,000)	(625)
Proceeds from issue of warrants (net of expenses)		77	–
Proceeds from exercise of warrants		52	–
Interest paid		(38)	(40)
Net cash used in financing activities		(1,703)	(1,554)
Net (decrease)/increase in cash and cash equivalents		(1,688)	4,790
Cash and cash equivalents at 1 January		17,222	12,442
Effect of exchange rate fluctuations on cash held		4	(10)
Cash and cash equivalents at 31 December	14	15,538	17,222

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

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 16 March 2015.

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 Group as at and for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The principal activities of the Company are those of mechanical engineering 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 as otherwise described in the notes below.

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is also the Company's functional currency. All financial information presented in Singapore dollars have been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

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

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 4 – Estimates of useful lives and impairment of property, plant and equipment
- Note 6 – Impairment of goodwill on consolidation
- Note 7 – Valuation of investment properties
- Note 8 – Impairment of subsidiaries
- Note 29 – Impairment of doubtful receivables

2 Basis of preparation (continued)

2.4 Use of estimates and judgements (continued)

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following note:

- Note 22 – Revenue recognition and assessment of risk of foreseeable losses on construction contracts

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Significant valuation issues are reported to the Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- ***Level 1:*** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- ***Level 2:*** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- ***Level 3:*** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 7 – Valuation of investment properties
- Note 30 – Determination of fair values

2.5 Changes in accounting policies

With effect from 1 January 2014, the Group adopted the following new or revised FRS that are mandatory for application from that date. The adoption of these new or revised FRS did not have any significant impact on the financial statements.

Subsidiaries

From 1 January 2014, as a result of FRS 110 *Consolidated Financial Statements*, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. FRS 110 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

The adoption of this standard did not have a significant impact on the financial statements.

Disclosure of interests in other entities

From 1 January 2014, as a result of FRS 112 *Disclosure of Interests in Other Entities*, the Group has expanded its disclosures about its interests in subsidiaries (Note 8).

3 Significant accounting policies

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

3.1 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combinations* as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

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

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

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

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

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration 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.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by FRSs.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

3 Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

Investment in jointly controlled entity (equity-accounted investee)

A jointly controlled entity is an entity over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investment in jointly controlled entity is accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, 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 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, together with any long-term interests, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

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.

Subsidiaries and jointly controlled entity

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

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange 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 reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.

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

3 Significant accounting policies (continued)

3.3 Property, plant and equipment

Recognition and measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

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

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

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

Leasehold property	Over the remaining lease term of 6 years
Machinery, tools and equipment	5 to 10 years
Furniture and office equipment	3 to 10 years
Motor vehicles	5 years
Other assets	7 to 10 years

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

3 Significant accounting policies (continued)

3.4 Intangible asset

Recognition and measurement

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

Subsequent expenditure

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

Amortisation

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

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

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

3.5 Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in goodwill on consolidation. For the measurement of goodwill at initial recognition, see Note 3.1.

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

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

3.6 Investment properties

Investment properties are properties 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 properties are measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment properties.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the property) is recognised in profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

3.7 Leased assets

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

Other leases are operating leases and the leased assets are not recognised in the Group's statement of financial position.

3 Significant accounting policies (continued)

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 estimated costs necessary to make the sale.

3.9 Contract work-in-progress

Contract work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date (see Note 3.15) less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Contract work-in-progress is presented as part of current assets in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings and recognised losses. If progress billings and recognised losses exceed costs incurred plus recognised profits, then the difference is presented as part of current liabilities in the statement of financial position.

3.10 Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

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

Loans and receivables

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

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

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

3 Significant accounting policies (continued)

3.10 Financial instruments (continued)

Non-derivative financial liabilities

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

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

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

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are 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.

Other financial liabilities comprise loans and borrowings and trade and other payables.

Share capital

Ordinary shares

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

3.11 Impairment

Non-derivative financial assets

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

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor will enter bankruptcy, adverse changes in the payment status of borrowers.

Loans and receivables

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

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

3 Significant accounting policies (continued)

3.11 Impairment (continued)

Loans and receivables (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 loans and receivables. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties, inventories and deferred tax asset, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or 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 CGU (group of CGUs) and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

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

3.12 Non-current asset classified as held for sale

A non-current asset that is highly probable to be recovered primarily through sale or rather than through continuing use, is classified as held for sale. Immediately before classification as held for sale, the asset is remeasured in accordance with the Group's accounting policies. Thereafter, the asset is generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

3 Significant accounting policies (continued)

3.13 Employee benefits

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which 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.

3.14 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Restoration costs

Where required by the lease agreements to restore the premises to its original condition, an estimate is made for the costs of dismantling and removing an asset and restoring the site which is recognised at the commencement of the lease and amortised over the period of the lease.

3.15 Revenue

Contract revenue

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

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

Maintenance revenue

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

Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as “other income”.

Interest income

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

3 Significant accounting policies (continued)

3.16 Government grants

Government grants received are recognised as income upon receipt.

3.17 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.

3.18 Finance costs

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

3.19 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:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entity to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

3 Significant accounting policies (continued)

3.19 Tax (continued)

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.20 Earnings per share

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

3.21 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 Chairlady 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 Chairlady 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 and intangible assets.

3.22 New standards and interpretations not yet adopted

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting period beginning on or after 1 January 2015 or later periods and which the Group has not early adopted:

<u>Applicable for the Group's 2015 financial statements</u>

Improvements to FRSs (January 2014) and Improvements to FRSs (February 2014)

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

<u>Applicable for the Group's 2017 financial statements</u>

FRS 115 *Revenue from Contracts with Customers*. The core principle is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. This will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

3 Significant accounting policies (continued)

3.22 New standards and interpretations not yet adopted (continued)

Applicable for the Group's 2018 financial statements

FRS 109 *Financial Instruments*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This Standard replaces FRS 39 *Financial Instruments: Recognition and Measurement*.

FRS 115 and FRS 109 were issued by the Accounting Standards Council on 19 November 2014 and 11 December 2014 respectively. Management is currently evaluating the impact of the implementation of these standards, in view of the complexities of these standards and the potential wide-ranging implications.

4 Property, plant and equipment

	Leasehold property $'000	Machinery, tools and equipment $'000	Furniture and office equipment $'000	Motor vehicles $'000	Other assets $'000	Total $'000
Group						
Cost						
At 1 January 2013	7,525	20,266	2,669	5,964	643	37,067
Additions	–	1,588	82	147	13	1,830
Disposals/Write-offs	(65)	(275)	(159)	(90)	(20)	(609)
At 31 December 2013	7,460	21,579	2,592	6,021	636	38,288
Additions	–	1,930	69	330	–	2,329
Transfers	–	71	–	(71)	–	–
Disposals/Write-offs	–	(140)	(62)	(150)	(87)	(439)
At 31 December 2014	7,460	23,440	2,599	6,130	549	40,178
Accumulated depreciation						
At 1 January 2013	2,339	8,284	1,061	4,975	409	17,068
Depreciation	669	1,763	241	543	82	3,298
Disposals/Write-offs	–	(261)	(150)	(61)	(20)	(492)
At 31 December 2013	3,008	9,786	1,152	5,457	471	19,874
Depreciation	675	1,872	237	539	74	3,397
Transfers	–	1,061	–	(1,061)	–	–
Disposals/Write-offs	–	(134)	(61)	(149)	(87)	(431)
At 31 December 2014	3,683	12,585	1,328	4,786	458	22,840
Carrying amounts						
At 1 January 2013	5,186	11,982	1,608	989	234	19,999
At 31 December 2013	4,452	11,793	1,440	564	165	18,414
At 31 December 2014	3,777	10,855	1,271	1,344	91	17,338

4 Property, plant and equipment (continued)

	Leasehold property $'000	Machinery, tools and equipment $'000	Furniture and office equipment $'000	Motor vehicles $'000	Other assets $'000	Total $'000
Company						
Cost						
At 1 January 2013	7,661	19,771	2,365	5,168	507	35,472
Additions	–	957	76	–	13	1,046
Disposals/Write-offs	(66)	(233)	(31)	–	–	(330)
At 31 December 2013	7,595	20,495	2,410	5,168	520	36,188
Additions	–	1,370	57	129	–	1,556
Transfers	–	71	–	(71)	–	–
Disposals/Write-offs	–	–	–	(129)	–	(129)
At 31 December 2014	7,595	21,936	2,467	5,097	520	37,615
Accumulated depreciation						
At 1 January 2013	2,338	7,923	792	4,667	269	15,989
Depreciation	668	1,713	228	380	76	3,065
Disposals/Write-offs	–	(219)	(22)	–	–	(241)
At 31 December 2013	3,006	9,417	998	5,047	345	18,813
Depreciation	673	1,789	228	377	73	3,140
Transfers	–	1,061	–	(1,061)	–	–
Disposals/Write-offs	–	–	–	(129)	–	(129)
At 31 December 2014	3,679	12,267	1,226	4,234	418	21,824
Carrying amounts						
At 1 January 2013	5,323	11,848	1,573	501	238	19,483
At 31 December 2013	4,589	11,078	1,412	121	175	17,375
At 31 December 2014	3,916	9,669	1,241	863	102	15,791

Estimates of useful lives and impairment of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their 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.

The Group also assesses its property, plant and equipment annually for indicators of impairment. This impairment takes into account the market value of the asset, changes to the technological, market, economic or legal environment in which the Group operates, market interest rates, evidence of obsolescence or physical damage to the property, plant and equipment and changes to the expected usage to the property, plant and equipment. Based on this assessment, no impairment is necessary as at the statement of financial position date.

Leased motor vehicles and machinery, tools and equipment

The Group and the Company leases motor vehicles and machinery, tools and equipment under a number of finance lease agreements. At 31 December 2014, the net carrying amount of leased motor vehicles and machinery, tools and equipment was $2,779,000 (2013: $3,133,000).

4 Property, plant and equipment (continued)

Depreciation capitalised in contract work-in-progress

Depreciation of property, plant and equipment of the Group and the Company amounting to $Nil (2013: $46,000) has been capitalised in contract work-in progress.

Security

Leasehold property, motor vehicles and machinery, tools and equipment of the Group and the Company with carrying amount of $2,779,000 (2013: $7,584,000) was mortgaged to a bank to secure banking facilities for the Group and the Company.

5 Intangible asset

Group and Company	Licensing rights $'000
Cost	
At 1 January 2013	–
Additions	1,487
At 31 December 2013 and 31 December 2014	1,487
Accumulated amortisation	
At 1 January 2013	–
Amortisation	149
At 31 December 2013	149
Amortisation	149
At 31 December 2014	298
Carrying amounts	
At 1 January 2013	–
At 31 December 2013	1,338
At 31 December 2014	1,189

6 Goodwill on consolidation

	Group	
	2014 $'000	2013 $'000
Cost		
At 1 January and 31 December	1,636	1,636
Accumulated impairment		
Impairment loss for the year	(635)	–
Carrying amounts		
At 1 January and 31 December	1,001	1,636

6 Goodwill on consolidation (continued)

For the purpose of annual impairment testing, the recoverable amounts of the cash-generating units are determined based on their value-in-use calculations. During the year, the recoverable amount of the rotating equipment cash-generating unit was determined to be lower than the carrying amount due to continued losses incurred, and an impairment loss of $635,000 was recognised in "other operating expenses" in the statement of comprehensive income.

Impairment test for goodwill

The carrying amounts of the Group's goodwill on consolidation of subsidiaries were assessed for impairment for the financial year ended 31 December 2014. For the purpose of impairment testing, goodwill is allocated to the electrical and instrumentation and rotating equipment cash-generating units.

	Group		Pre-tax discount rate[1]		Terminal growth rate[2]	
	2014	2013	2014	2013	2014	2013
	$'000	$'000	%	%	%	%
Carrying amount of goodwill in:						
Electrical and instrumentation	1,001	1,001	11.7	11.7	1.0	1.0
Rotating equipment	–	635	11.5	11.5	–	–
	1,001	1,636				

(1) The discount rate used is based on Weighted Average Cost of Capital (WACC) where the cost of a company's debt and equity capital are weighted to reflect its capital structure.

(2) The long-term terminal growth rate has been determined based on the long-term expected inflation rate for the respective industry in which the cash-generating unit operates estimated by management by reference to forecasts included in industry reports and expected market development.

The recoverable amounts of the electrical and instrumentation and rotating equipment cash-generating units were based on their value-in-use. Value-in-use was determined by discounting the future cash flows generated from the continuing use of cash-generating units and was based on the following key assumptions:

- Cash flows were projected based on past performance and management's expectation of market developments and future cash flows based on existing and newly secured projects and maintenance contracts as well as historical trend for a one-year (2013: 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 1.1% (2013: 14.2%) for the electrical and instrumentation cash-generating unit and 10.4% (2013: 15.0%) for the rotating equipment cash-generating unit. Management believes that the forecast periods were justified due to the short to medium-term nature of the projects and the average growth levels experienced over the last five years.

- Cash flows beyond the terminal year are extrapolated using the estimated terminal growth rates stated in the table above.

- Pre-tax discount rates stated in the table above were 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

	Note	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
At 1 January		1,620	1,540	1,310	1,220
Change in fair value		–	80	–	90
Reclassification to asset classified as held for sale	15	(310)	–	–	–
At 31 December		1,310	1,620	1,310	1,310

As at 31 December 2014, 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

* The Group is in the process of completing the sale of this investment property and have reclassified this investment property to "asset classified as held for sale".

8 Subsidiaries

	Company 2014 $'000	Company 2013 $'000
Unquoted equity investments, at cost	4,936	4,046
Allowance for impairment loss	(635)	–
	4,301	4,046

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Effective equity held by the Company 2014 %	Effective equity held by the Company 2013 %
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
Wing Wah Industrial Services Pte. Ltd.[(1)]	Mixed construction activities, manufacturing activities and process plant engineering services	Singapore	100	100
Pegasus Advance Engineering Pte. Ltd.[(1)]	Process and industrial engineering services and other engineering activities including scaffolding work	Singapore	100	100
Mun Siong Engineering Sdn Bhd[(3)]	Provision of engineering services and contractor to the process industries in Malaysia	Malaysia	100	100

(1) Audited by KPMG LLP.

(2) Not required for audit as the company is dormant since its incorporation on 5 January 2011. The company was struck off on 12 March 2014.

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

Impairment loss

The Company assesses at each balance sheet date whether there is any objective evidence that the Company's investments in subsidiaries are impaired. This assessment takes into account the operating performance of the subsidiaries and changes in the technological, market, economic or legal environment in which the subsidiaries operate. Due to continued losses incurred by a subsidiary under the rotating equipment cash-generating unit, management performed an assessment to determine the recoverable value of the investment in the subsidiary. Based on this assessment, the Company's investment in the subsidiary has been impaired to its value-in-use and an impairment loss of $635,000 has been recognised.

The calculations used to determine the value-in-use are approved by management and are disclosed in Note 6.

9 Deferred tax asset and liabilities

Movements in temporary differences during the year are as follows:

Group	At 1 January 2013 $'000	Recognised in profit or loss (Note 26) $'000	At 31 December 2013 $'000	Recognised in profit or loss (Note 26) $'000	At 31 December 2014 $'000
Deferred tax asset					
Unutilised tax losses and capital allowances	(225)	(3)	(228)	166	(62)
Deferred tax liability					
Property, plant and equipment	1,259	199	1,458	112	1,570
Company					
Deferred tax liability					
Property, plant and equipment	1,216	195	1,411	10	1,421

10 Jointly controlled entity

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
At 1 January	16	18	16	18
Share of results	–	(2)	–	–
Allowance for impairment loss	–	–	–	(2)
Strike off	(16)	–	(16)	–
At 31 December	–	16	–	16

In 2013, the Company made an allowance for impairment loss amounting to $2,000 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 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 $'000	Total assets $'000	Current liabilities $'000	Total liabilities $'000	Expenses $'000	Loss of the year $'000
2013	19	19	(3)	(3)	(2)	(2)

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 2014 %	Effective equity held by the Company 2013 %
Alliance Process Engineering & Construction Pte. Ltd.[1]	Investment holding	Singapore	–	33

[1] Audited by IKA International. The company was struck off on 12 September 2014.

11 Inventories

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Consumables	250	279	250	279

In 2014, changes in consumables recognised as cost of sales amounted to $205,000 (2013: $199,000).

12 Contract work-in-progress and excess of progress billings over contract work-in-progress

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Costs incurred and attributable profits	28,909	31,243	22,785	19,876
Progress billings	(18,225)	(25,562)	(13,710)	(18,324)
	10,684	5,681	9,075	1,552
Comprising:				
Contract work-in-progress	10,700	5,869	9,075	1,740
Excess of progress billings over contract work-in-progress	(16)	(188)	–	(188)
	10,684	5,681	9,075	1,552

In 2014, changes in contract work-in-progress recognised as cost of sales amounted to $32,533,000 (2013: $33,565,000).

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

		Group		Company	
	Note	2014	2013	2014	2013
		$'000	$'000	$'000	$'000
Depreciation of property, plant and equipment	4	–	46	–	46
Staff costs		126	662	66	662
		126	708	66	708

13 Trade and other receivables

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Trade receivables	20,389	18,221	18,433	17,520
Amounts due from subsidiaries (non-trade)	–	–	1,263	1,483
Deposits	1,222	1,055	1,096	972
Other receivables	5	183	–	64
Loans and receivables	21,616	19,459	20,792	20,039
Prepayments	265	1,587	213	1,547
	21,881	21,046	21,005	21,586

13 Trade and other receivables (continued)

The non-trade amounts due from 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 loans and receivables are disclosed in Note 29.

14 Cash and cash equivalents

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Cash at bank and on hand	6,896	11,066	4,448	7,592
Fixed deposits	8,642	6,156	67	1,000
Cash and cash equivalents in the consolidated statement of cash flows	15,538	17,222	4,515	8,592

The Group's and the Company's exposure to interest rate risk and sensitivity analysis for cash and cash equivalents are disclosed in Note 29.

15 Asset classified as held for sale

The Group is in the process of completing the sale of an investment property at 27A Jurong Port Road, Blk 6, #01-12, Singapore 619101. Accordingly, the investment property was reclassified from investment property to "asset classified as held for sale" as at 31 December 2014. The carrying amount was reduced to the consideration amount of $180,000 and an impairment charge of $130,000 was recognised in "other operating expenses" in the statement of comprehensive income. Completion of the sale is in progress and is subject to several conditions precedent, including consent of relevant governmental and regulatory authorities.

16 Share capital

	Ordinary shares	
	2014	2013
	Number of shares	Number of shares
	'000	'000
Company		
In issue at 1 January	416,708	416,708
Exercise of warrants	5,128	–
In issue at 31 December	421,836	416,708

Ordinary shares

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

Issue of ordinary shares

5,128,000 (2013: Nil) ordinary shares were issued as a result of the exercise of warrants arising from the warrants issue. The warrants were exercised at an exercise price of $0.01 per share. All issued shares were fully paid.

16 Share capital (continued)

Dividends

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

	Group and Company 2014 $'000	2013 $'000
Paid by the Company to owners of the Company		
0.24 cents per ordinary share (2013: 0.15 cents), comprising a final dividend of 0.15 cents per ordinary share (2013: 0.15 cents) and a special dividend of 0.09 cents per ordinary share (2013: Nil)	1,000	625

After the respective reporting dates, the following tax exempt (one-tier) dividends were proposed by the directors. These tax exempt (one-tier) dividends, based on the number of issued shares as at 31 December 2014 and 31 December 2013, have not been provided for:

	Group and Company 2014 $'000	2013 $'000
0.50 cents per ordinary share (2013: 0.24 cents), comprising a final dividend of 0.15 cents per ordinary share (2013: 0.15 cents) and a special dividend of 0.35 cents per ordinary share (2013: 0.09 cents)	2,109	1,000

Capital management

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

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

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

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

17 Capital reserve

Capital reserve comprise net proceeds (after deducting professional fees and related expenses) from the issue of warrants less shares issued upon the exercise of warrants.

18 Translation reserve

Translation reserve comprise foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the presentation currency of the Group.

19 Loans and borrowings

	Group and Company	
	2014	2013
	$'000	$'000
Non-current liabilities		
Finance lease liabilities	697	1,491
Current liabilities		
Finance lease liabilities	794	794
Total loans and borrowings	1,491	2,285

Finance lease liabilities

Finance lease liabilities were payable as follows:

	Future minimum lease payments 2013 $'000	Interest 2013 $'000	Principal 2013 $'000	Future minimum lease payments 2014 $'000	Interest 2014 $'000	Principal 2014 $'000
Group and Company						
Within one year	832	38	794	832	38	794
Between one and five years	1,563	72	1,491	731	34	697
	2,395	110	2,285	1,563	72	1,491

Terms and debt repayment schedule

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

	Currency	Nominal interest rate %	Year of maturity	Face value $'000	Carrying amount $'000
Group and Company					
2014					
Fixed rate finance leases	SGD	1.2%	2016	1,563	1,491
2013					
Fixed rate finance leases	SGD	1.2%	2016	2,395	2,285

At the balance sheet date, the finance lease liabilities were secured by the 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 loans and borrowings are disclosed in Note 29.

20 Provision for restoration costs

During the current fiinancial year, the Group made a provision of $120,00 (2013: $Nil) for costs of dismantling and removing of assets and restoring the leased premises to its original condition as required by the operating lease agreements.

21 Trade and other payables

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables	6,082	8,735	5,684	8,389
Amounts due to subsidiaries (trade)	–	–	150	187
Amounts due to subsidiaries (non-trade)	–	–	–	7
Other payables and accruals	5,578	4,255	4,858	2,490
	11,660	12,990	10,692	11,073

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

The Group's and the Company's exposure to foreign currency and liquidity risks related to trade other payables are disclosed in Note 29.

22 Revenue

	Group	
	2014	**2013**
	$'000	**$'000**
Contract revenue	43,276	38,884
Rendering of maintenance services	36,809	42,938
	80,085	81,822

Revenue recognition and assessment of risk of foreseeable losses on construction contracts

The Group recognises contract revenue in profit or loss in proportion to the stage of completion of the respective contracts as soon as the outcome of the construction contract can be estimated reliably. The stage of completion is measured by reference to the ratio of contract costs incurred to date to the estimated total costs to complete the contract. Significant judgement is required in determining the stage of completion, the estimated total contract revenue and estimated total contract cost to completion, as well as the recoverability of the contract cost incurred.

Estimation of total contract revenue also includes an estimation of the variation works that are recoverable from the customers. In making the judgement, the Group relies on past experience and/or the work of the relevant professionals.

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

23 Other income

	Group	
	2014	2013
	$'000	$'000
Changes in fair value of investment properties	–	80
Rental income	240	254
Interest income	84	70
Gain on disposal of property, plant and equipment	12	63
Gain on disposal of scraps	185	72
Others	509	369
	1,030	908

24 Finance costs

	Group	
	2014	2013
	$'000	$'000
Interest expense on loans and borrowings	38	40

25 Profit before tax

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

	Group	
	2014	2013
	$'000	$'000
Staff costs	38,506	36,583
Contribution to defined contribution plans included in staff costs	1,222	1,167
Depreciation of property, plant and equipment	3,443	3,256
Amortisation of intangible asset	149	149
Operating lease expenses	419	381
Operating expenses arising from rental of investment properties	25	22
Audit fees paid to:		
- auditors of the Company	118	113
- other auditors	1	1
Non-audit fees paid to auditors of the Company	7	7
Property, plant and equipment written-off	8	65
Net foreign exchange gain	(26)	(12)
Impairment loss on goodwill on consolidation	635	–
Impairment loss on asset classified as held for sale	130	–
Provision for restoration costs	120	–

26 Tax expense

	Group 2014 $'000	Group 2013 $'000
Current tax expense		
Current year	180	343
Under/(over) provision for prior years	13	(165)
	193	178
Deferred tax expense		
Origination and reversal of temporary differences	50	84
Under provision for prior years	228	112
	278	196
Total tax expense	471	374

Reconciliation of effective tax rate

	Group 2014 $'000	Group 2013 $'000
Profit before tax	5,332	3,464
Tax using the Singapore tax rate of 17% (2013: 17%)	906	589
Non-deductible expenses	324	84
Tax incentives	(373)	(336)
Tax exempt income	(68)	(73)
Recognition of tax effect of previously unrecognised tax losses and temporary differences	(570)	–
Under/(over) provision for prior years	241	(53)
Others	11	163
	471	374

27 Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2014 was based on the profit attributable to ordinary shareholders of $4,861,000 (2013: $3,090,000), and a weighted-average number of ordinary shares outstanding of 417,366,000 (2013: 416,708,000), calculated as follows:

Profit attributable to ordinary shareholders

	Group 2014 $'000	Group 2013 $'000
Profit for the year	4,861	3,090

Weighted-average number of ordinary shares

	Number of shares '000	Number of shares '000
Issued ordinary shares at 1 January	416,708	416,708
Effect of warrants exercised	658	–
Weighted-average number of ordinary shares during the year	417,366	416,708

27 Earnings per share (continued)

Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2014 was based on the profit attributable to ordinary shareholders of $4,861,000 (2013: $3,090,000), and a weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 460,063,000 (2013: 416,708,000), calculated as follows:

Profit attributable to ordinary shareholders (diluted)

	Group	
	2014	**2013**
	$'000	**$'000**
Profit for the year	4,861	3,090

Weighted-average number of ordinary shares (diluted)

	Number of shares '000	**Number of shares '000**
Weighted average number of ordinary shares (basic)	417,366	416,708
Effect of warrants on issue	42,697	–
Weighted-average number of ordinary shares (diluted) during the year	460,063	416,708

The market value of the Company's shares for purposes of calculating the dilutive effect of warrants was based on quoted market prices as at 31 December 2014.

28 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 Chairlady and Managing Director review internal management reports at least on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- Mechanical : Relates to mechanical engineering services of pre-fabrication, installation of piping works and mechanical de-coking, re-tubing and hydro-jetting.
- Electrical, instrumentation and others : Relates to electrical and instrumentation services of installing transformers, switchgears, lightings, lightning protection, grounding system, distribution control system, field instrument, impulse line, calibration and loop check and, provision of design, supply, fabrication and installation of marine and industrial engineering works; rotary engineering services for the installation, replacement and servicing of rotating equipment such as pumps and compressors; and scaffolding services which includes tower, hanging, cantilever, mobile as well as special PE designed scaffolding.

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 Chairlady 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.

28 Operating segments (continued)

The segment information provided to the Group's Executive Chairlady and Managing Director for the reportable segments for the year ended 31 December 2014 and 2013 is as follows:

Business segments

2014	Mechanical $'000	Electrical, instrumentation and others $'000	Total $'000
External revenues	69,387	10,698	80,085
Inter-segment revenue	–	2,280	2,280
Total revenue	69,387	12,978	82,365
Interest income	28	56	84
Interest expenses	38	–	38
Depreciation of property, plant and equipment	3,187	256	3,443
Amortisation of intangible asset	149	–	149
Reportable segment profit before tax	3,281	2,061	5,342
Other material non-cash items:			
Impairment loss on goodwill on consolidation	–	(635)	(635)
Impairment loss on asset classified as held for sale	–	(130)	(130)
Reportable segment assets	50,262	16,876	67,138
Capital expenditure	1,556	773	2,329
Reportable segment liabilities	10,889	2,398	13,287
2013			
External revenues	67,622	14,200	81,822
Inter-segment revenue	–	2,592	2,592
Total revenue	67,622	16,792	84,414
Interest income	39	31	70
Interest expenses	38	2	40
Depreciation of property, plant and equipment	3,022	234	3,256
Amortisation of intangible asset	149	–	149
Reportable segment profit before tax	746	2,718	3,464
Other material non-cash items:			
Changes in fair value of investment properties	90	(10)	80
Reportable segment assets	49,083	15,313	64,396
Investment in joint controlled entity	16	–	16
Capital expenditure	1,045	785	1,830
Reportable segment liabilities	11,881	3,582	15,463

28 Operating segments (continued)

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

	2014 $'000	2013 $'000
Revenues		
Total revenue for reportable segments	82,365	84,414
Elimination of inter-segment revenue	(2,280)	(2,592)
Consolidated revenue	80,085	81,822
Profit or loss		
Total profit or loss for reportable segments	5,342	3,464
Elimination of inter-segment income	(10)	–
Consolidated profit before tax	5,332	3,464
Assets		
Total assets for reportable segments	67,138	64,396
Goodwill on consolidation	1,001	1,636
Investment properties	1,310	1,620
Investment in joint controlled entity	–	16
Consolidated total assets	69,449	67,668
Liabilities		
Total liabilities for reportable segments	13,287	15,463
Current tax payable	178	327
Deferred tax liabilities	1,570	1,458
Consolidated total liabilities	15,035	17,248

Major customers

During the financial year ended 31 December 2014, revenue from three major customers of the Group totalled approximately $59,159,000 (2013: $43,389,000). 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:

	2014 $'000	2013 $'000
Customer 1	44,937	16,271
Customer 2	8,753	15,910
Customer 3	5,469	11,208
	59,159	43,389

29 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. For the financial year ended 31 December 2014, approximately 74% (2013: 53%) of the Group's revenue was attributable to sales transactions with 3 customers. The Group's most significant customer accounts for $9,765,000 (2013: $6,437,000) of the carrying value of trade receivables as at 31 December 2014. No significant credit risk exposure is expected based on historical data of payment statistics from these customers.

Credit risk concentration profile

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

As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position. The carrying amounts of trade and other receivables 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.

29 Financial risk management (continued)

Credit risk (continued)

Management of credit risk

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

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

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

Impairment

The ageing of trade receivables that were not impaired at the reporting date was:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Not past due	19,031	16,095	17,513	15,629
Past due 0-30 days	1,138	1,902	724	1,829
Past due 31-60 days	148	139	129	53
Past due more than 60 days	72	85	67	9
	20,389	18,221	18,433	17,520

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 credit provision required.

29 Financial risk management (continued)

Liquidity risk

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

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

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

	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	Within 1 to 5 years $'000
Group				
31 December 2014				
Non-derivative financial liabilities				
Loans and borrowings	1,491	1,563	832	731
Trade and other payables	11,660	11,660	11,660	–
	13,151	13,223	12,492	731
31 December 2013				
Non-derivative financial liabilities				
Loans and borrowings	2,285	2,395	832	1,563
Trade and other payables	12,990	12,990	12,990	–
	15,275	15,385	13,822	1,563
Company				
31 December 2014				
Non-derivative financial liabilities				
Loans and borrowings	1,491	1,563	832	731
Trade and other payables	10,692	10,692	10,692	–
	12,183	12,255	11,524	731
31 December 2013				
Non-derivative financial liabilities				
Loans and borrowings	2,285	2,395	832	1,563
Trade and other payables	11,073	11,073	11,073	–
	13,358	13,468	11,905	1,563

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.

29 Financial risk management (continued)

Currency risk

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

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

	USD $'000	RM $'000	GBP $'000
Group			
2014			
Trade and other receivables	90	–	–
Cash and cash equivalents	409	285	–
Trade and other payables	(41)	(1)	–
Gross exposure	458	284	–
Less: Net financial asset denominated in the respective entities' functional currencies	–	(284)	–
	458	–	–
2013			
Trade and other receivables	136	–	–
Cash and cash equivalents	236	685	–
Trade and other payables	(93)	–	(332)
Gross exposure	279	685	(332)
Less: Net financial asset denominated in the respective entities' functional currencies	–	(685)	–
	279	–	(332)
Company			
2014			
Trade and other receivables	90	–	–
Cash and cash equivalents	406	–	–
Trade and other payables	(41)	–	–
Net exposure	455	–	–
2013			
Trade and other receivables	133	–	–
Cash and cash equivalents	233	–	–
Trade and other payables	(93)	–	(332)
Net exposure	273	–	(332)

29 Financial risk management (continued)

Currency risk (continued)

Sensitivity analysis

A 10% strengthening of the Singapore dollar, as indicated below, against the following currencies at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2013.

	Group Profit or loss $'000	Company Profit or loss $'000
2014		
USD	(46)	(46)
2013		
USD	(28)	(27)
GBP	33	33

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

Interest rate risk

At the reporting dates, the interest rate profile of the Group's and Company's interest-bearing financial instruments, as reported to management, was as follows:

	Carrying amount	
	2014 $'000	2013 $'000
Group		
Fixed rate instruments		
Cash and cash equivalents	8,642	6,156
Finance lease liabilities	(1,491)	(2,285)
	7,151	3,871
Company		
Fixed rate instruments		
Cash and cash equivalents	67	1,000
Finance lease liabilities	(1,491)	(2,285)
	(1,424)	(1,285)

The Group does not have significant exposure to fluctuation in 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.

29 Financial risk management (continued)

Accounting classifications and fair values

Fair values versus carrying amounts

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

	Note	Loans and receivables $'000	Other financial liabilities within the scope of FRS 39 $'000	Total carrying amount $'000	Fair value $'000
Group					
31 December 2014					
Trade and other receivables*	13	21,616	–	21,616	21,616
Cash and cash equivalents	14	15,538	–	15,538	15,538
		37,154	–	37,154	37,154
Finance lease liabilities	19	–	1,491	1,491	1,455
Trade and other payables	21	–	11,660	11,660	11,660
		–	13,151	13,151	13,115
31 December 2013					
Trade and other receivables*	13	19,459	–	19,459	19,459
Cash and cash equivalents	14	17,222	–	17,222	17,222
		36,681	–	36,681	36,681
Finance lease liabilities	19	–	2,285	2,285	2,332
Trade and other payables	21	–	12,990	12,990	12,990
		–	15,275	15,275	15,322
Company					
31 December 2014					
Trade and other receivables*	13	20,792	–	20,792	20,792
Cash and cash equivalents	14	4,515	–	4,515	4,515
		25,307	–	25,307	25,307
Finance lease liabilities	19	–	1,491	1,491	1,455
Trade and other payables	21	–	10,692	10,692	10,692
		–	12,183	12,183	12,147
31 December 2013					
Trade and other receivables*	13	20,039	–	20,039	20,039
Cash and cash equivalents	14	8,592	–	8,592	8,592
		28,631	–	28,631	28,631
Finance lease liabilities	19	–	2,285	2,285	2,332
Trade and other payables	21	–	11,073	11,073	11,073
		–	13,358	13,358	13,405

* Excludes prepayments.

29 Financial risk management (continued)

Accounting classifications and fair values (continued)

Interest rates used for determining fair value

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

	2014 %	2013 %
Finance lease liabilities	1.70	1.38

30 Determination of fair values

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

(a) Investment properties

The determination of fair value of investment properties is discussed in Note 7 and below.

(b) Loans and borrowings

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

(c) Other financial assets and liabilities

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

(d) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used. The different levels have been defined in Note 2.4.

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group and Company				
31 December 2014				
Finance lease liabilities	–	1,455	–	1,455
31 December 2013				
Finance lease liabilities	–	2,225	–	2,225

30 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 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
2014				
Non-financial assets measured at fair value				
Investment properties	–	1,310	–	1,310
2013				
Non-financial assets measured at fair value				
Investment properties	–	1,620	–	1,620
Company				
2014 and 2013				
Non-financial assets measured at fair value				
Investment properties	–	1,310	–	1,310

31 Related party transactions

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

Key management personnel compensation

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

Key management personnel compensation included in staff costs comprises:

	Group	
	2014 $'000	2013 $'000
Directors' fees	112	144
Directors' remunerations	1,087	1,262
	1,199	1,406

32 Commitments

Leases as lessee

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

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Within one year	673	469	588	452
Between one and five years	2,056	2,172	1,937	2,120
More than five years	276	667	276	661
	3,005	3,308	2,801	3,233

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

Minimum lease receivables

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

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Within one year	111	73	99	27
Between one and five years	117	–	117	–
	228	73	216	27

The Group sub-lets its factory premises and plant and equipment under non-cancellable operating lease, which expires in 2015 and 2017 (2013: 2014).

33 Subsequent event

Subsequent to 31 December 2014, 117,019,400 (2013: Nil) ordinary shares were issued as a result of the exercise of warrants arising from the warrants issue. The warrants were exercised at an exercise price of $0.01 per share. All issued shares were fully paid. Following the issuance of shares by the Company, the Company's share capital increased to $25,806,000.

STATISTICS OF SHAREHOLDINGS

As at 18 March 2015

ISSUED AND FULLY PAID SHARE CAPITAL	:	S$25,806,000
NUMBER OF ISSUED SHARES	:	538,855,600
CLASS OF SHARES	:	ORDINARY
VOTING RIGHTS:		
- On a show of hands	:	ONE VOTE FOR EACH MEMBER
- On a poll	:	ONE VOTE FOR EACH ORDINARY SHARE HELD
NUMBER OF TREASURY SHARES	:	NIL

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	274	17.45	2,855	–
100 - 1,000	207	13.18	205,254	0.04
1,001 - 10,000	333	21.21	2,076,190	0.38
10,001 - 1,000,000	733	46.69	68,377,775	12.69
1,000,001 & ABOVE	23	1.47	468,193,526	86.89
TOTAL	1,570	100.00	538,855,600	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CHENG WOEI FEN	278,997,600	51.78
2	QUEK CHIAU LIONG	43,886,000	8.14
3	QUEK KIAN HUI (GUO JIANHUI)	35,220,800	6.54
4	QUEK KIAN TECK GABRIEL	33,516,000	6.22
5	GOH HENG CHEW	10,766,000	2.00
6	SINGAPORE WAREHOUSE CO PTE LTD	9,400,000	1.74
7	UOB KAY HIAN PRIVATE LIMITED	7,374,000	1.37
8	LIN YAN	7,266,000	1.35
9	GLOBAL TRADE INVESTMENT MANAGEMENT PTE LTD	7,095,000	1.32
10	OCBC SECURITIES PRIVATE LIMITED	6,956,000	1.29
11	PHILLIP SECURITIES PTE LTD	3,496,670	0.65
12	MAYBANK KIM ENG SECURITIES PTE. LTD.	3,041,010	0.56
13	DBSN SERVICES PTE. LTD.	3,000,000	0.56
14	RHB SECURITIES SINGAPORE PTE. LTD.	2,898,000	0.54
15	RAFFLES NOMINEES (PTE) LIMITED	2,329,400	0.43
16	THNG KIAN TONG	2,325,000	0.43
17	KHOO SWEE JIN	2,000,000	0.37
18	TAY HWA LANG	1,870,000	0.35
19	MORPH INVESTMENTS LTD	1,620,000	0.30
20	DBS NOMINEES (PRIVATE) LIMITED	1,416,046	0.26
		464,473,526	86.20

RULE 723 COMPLIANCE

Based on the information available to the Company as at 18 March 2015, approximately 27.22% 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.

STATISTICS OF SHAREHOLDINGS

As at 18 March 2015

SUBSTANTIAL SHAREHOLDERS

	NO. OF SHARES Direct Interest	%	NO. OF SHARES Deemed Interest	%
CHENG WOEI FEN*	278,997,600	51.78	33,936,000	6.30
QUEK KIAN TECK GABRIEL	33,516,000	6.22	–	–
QUEK KIAN HUI	35,220,800	6.54	–	–
QUEK CHIAU LIONG	43,886,000	8.14	–	–

Note:

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

STATISTICS OF WARRANTHOLDINGS

As at 18 March 2015

SIZE OF WARRANTHOLDINGS	NO. OF WARRANTHOLDERS	%	NO. OF WARRANTS	%
1 - 99	–	–	–	–
100 - 1,000	64	17.53	62,800	0.14
1,001 - 10,000	92	25.21	696,400	1.56
10,001 - 1,000,000	201	55.07	16,276,700	36.55
1,000,001 & ABOVE	8	2.19	27,499,700	61.75
TOTAL	365	100.00	44,535,600	100.00

TWENTY LARGEST WARRANTHOLDERS

NO.	NAME	NO. OF WARRANTS	%
1	QUEK CHIAU LIONG	7,270,000	16.32
2	PHILLIP SECURITIES PTE LTD	6,855,000	15.39
3	GOH HENG CHEW	4,397,000	9.87
4	OCBC SECURITIES PRIVATE LIMITED	3,239,900	7.27
5	SINGAPORE WAREHOUSE CO PTE LTD	1,806,800	4.06
6	UOB KAY HIAN PRIVATE LIMITED	1,572,600	3.53
7	DBSN SERVICES PTE. LTD.	1,288,000	2.89
8	RHB SECURITIES SINGAPORE PTE. LTD.	1,070,400	2.40
9	THNG KIAN TONG	980,000	2.20
10	LIM CHER KHIANG	965,000	2.17
11	MAYBANK KIM ENG SECURITIES PTE. LTD.	686,000	1.54
12	YEE KHOR SOO KATHELEEN (YU KESHU KATHELEEN)	602,000	1.35
13	TAN HAI PENG MICHEAL	550,000	1.23
14	ONG HOCK SIONG @ BENNY ONG HOCK SIONG	440,000	0.99
15	DBS NOMINEES (PRIVATE) LIMITED	349,100	0.78
16	TAN HONG HING @ TAN HONG THUAN	280,000	0.63
17	LIM CHOON WAH (LIN CHUNHUA)	240,000	0.54
18	LAU CHOR BOH	216,000	0.49
19	LIOW SONG HOCK OR TAN KENG YORK	211,000	0.47
20	EST OF LOH KOK WENG, DEC'D	208,000	0.47
		33,226,800	74.59

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of MUN SIONG ENGINEERING LIMITED (the "**Company**") will be held at 35 Tuas Road, Jurong Town, Singapore 638496 on Wednesday, 22nd April 2015 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 2014 and the reports of the Directors and Auditors thereon. **[Resolution 1]**

2. To re-elect the following Directors retiring pursuant to the Articles of Association of the Company:

   i) Tan Chao Hsiung David (Article 98) **[Resolution 2(i)]**
   ii) Quek Chiau Liong (Article 98) **[Resolution 2(ii)]**
   iii) Quek Kian Hui (Article 102) **[Resolution 2(iii)]**
   [See Explanatory Note 1]

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 0.35 cents per ordinary share tax-exempt (one-tier) for the financial year ended 31 December 2014 **[Resolution 4]**

5. To approve Directors' fees of up to S$130,000 for the financial year ending 31 December 2015 to be payable quarterly in arrears (2014: S$115,000). **[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
Yoo Loo Ping
Company Secretaries
Singapore,
6 April 2015

Explanatory Notes:

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

2 **Lau Teik Soon**, if re-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 (the "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 Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company:

(i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents)of proxy(ies) and representative(s) appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes");

(ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and

(iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

MUN SIONG ENGINEERING LIMITED

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

IMPORTANT

1. 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.

Proxy Form

I/We ______________________________ NRIC/Passport No. ______________

of ____ (Address)

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

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

and/or (delete as appropriate)

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

or failing *him/them, the Chairman of the meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the Annual General Meeting of the Company to be held at 35 Tuas Road, Jurong Town, Singapore 638496 on Wednesday, 22 April 2015 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.

<u>**Note**</u>: Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions or in the event of any item arising not summarised below, the proxy/proxies may vote or abstain as he/they may think fit.

No.	Description of Resolutions	For	Against
1	Adoption of audited financial statements for the financial year ended 31 December 2014		
2(i)	Re-election of Tan Chao Hsiung David as a Director		
2(ii)	Re-election of Quek Chiau Liong as a Director		
2(iii)	Re-election of Quek Kian Hui as a Director		
3	Re-appointment of Lau Teik Soon as a Director		
4	First and Final, and Special Dividends		
5	Approval of Directors' fees for financial year ending 31 December 2015		
6	Re-appointment of Messrs KPMG LLP as Auditors		
7	Authority to allot and issue shares and convertible securities		

<u>**Note**</u>: 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 ____________________ 2015

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.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 6 April 2015.

AFFIX
POSTAGE
STAMP
HERE

MUN SIONG ENGINEERING LIMITED
35 TUAS ROAD
JURONG TOWN
SINGAPORE 638496

CORPORATE INFORMATION

BOARD OF DIRECTORS

Cheng Woei Fen
Executive Chairlady

Quek Chiau Liong
Managing Director

Quek Kian Hui
Executive Director

David Tan Chao Hsiung
Non-executive and Lead Independent Director

Peter Sim Swee Yam
Non-executive and Independent Director

Lau Teik Soon
Non-executive and Independent Director

AUDIT COMMITTEE

David Tan Chao Hsiung - Chairman
Peter Sim Swee Yam
Lau Teik Soon

REMUNERATION COMMITTEE

Peter Sim Swee Yam - Chairman
David Tan Chao Hsiung
Lau Teik Soon

NOMINATING COMMITTEE

Lau Teik Soon - Chairman
David Tan Chao Hsiung
Peter Sim Swee Yam

EXECUTIVE COMMITTEE

Cheng Woei Fen
Executive Chairlady

Quek Chiau Liong
Managing Director

Quek Kian Hui
Executive Director

Lin Yan
Senior Director, Electrical and Instrumentation

Lim Fung Suan
Senior Director, Maintenance

Seah Hai Yang
Chief Financial Officer

COMPANY SECRETARIES

Seah Hai Yang, FCA
Yoo Loo Ping, ACIS

REGISTERED OFFICE

35 Tuas Road, Jurong Town
Singapore 638496

SHARE AND WARRANT REGISTRAR

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

PRINCIPAL BANKERS

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

Oversea-Chinese Banking Corporation Limited
65 Chulia Street
#01-01 OCBC Centre
Singapore 049513

AUDITORS

KPMG LLP
Public Accountants and
Chartered Accountants
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581
Engagement partner for financial year ended 31 December 2014:
Tan Yek Lee Doreen

MUN SIONG
ENGINEERING LIMITED

Company Reg. No. 196900250M
35 Tuas Road, Jurong Town
Singapore 638496
Tel: (65) 6411 6570
Fax: (65) 6862 0218
www.mun-siong.com