ALLIES IN WORK PARTNER IN SUCCESS

ANNUAL REPORT 2017

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Mun Siong Engineering Limited

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

Safety
Quality
Customer Focus
Leadership
Teamwork

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CORPORATE **PROFILE**

Mun Siong Engineering Ltd is an established integrated Turnkey Mechanical Engineering, Plant Maintenance and complete Electrical and Instrumentation (E&I) service provider, experienced in combining multi-layer technical competency with an unyielding dedication to safety, efficiency, quality and environmental responsibility. Established in 1969, Mun Siong is an organisation committed to optimising Engineering Design, Manufacturing, Installation and Maintenance of packaged process plant based solutions, with particular emphasis on competence, professional delivery and creating value, in streamlining client centric operations.

After the integration of scaffold services into Mun Siong, in 2017, we have merged Wing Wah Industrial Services Pte Ltd and their rotating equipment services into the Group. Moving forward, we are dedicated to fully integrate all of our services into Mun Siong with the advice of an appointed consultant to re-engineer our work processes to streamline the entire work flow using a suitable ERP system. That will provide a structured system backbone for our newly established subsidiaries Pegasus Advanced Engineering LLP in India and Pegasus Advanced Engineering Co. Ltd in Myanmar.

CORPORATE

ROADMAP

1969
Incorporated Mun Siong Engineering Pte Ltd

1980
Expanded overseas to execute Project in Malaysia & Indonesia

2000
Acquired OHM Engineering Pte Ltd to provide Electrical & Instrumentation Services

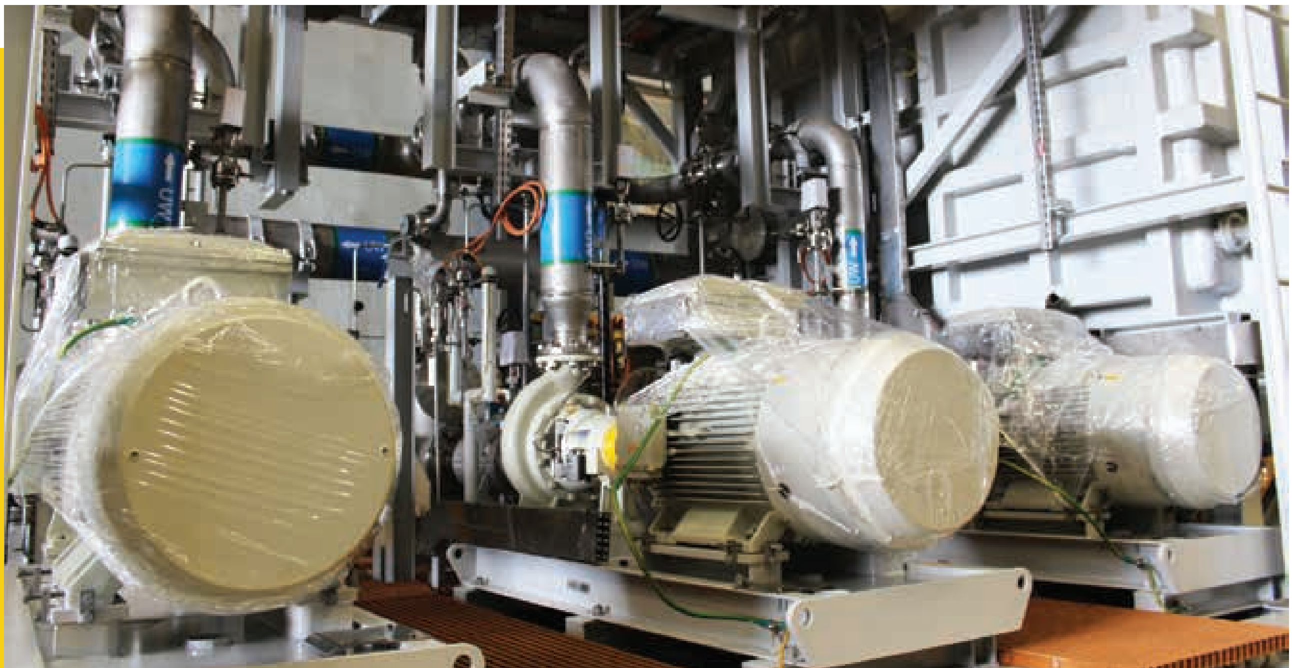
2010
Mun Siong Engineering is Listed on the Singapore Stock Exchange as a Public Listed Company

2011
Acquired Wing Wah Industrial Services Pte Ltd to strength and further enhance our Rotating Equipment Capablilities

2013
- Established Mun Siong Engineering Sdn Bhd. in Malaysia
- Incorporated Pegasus Advance Engineering Pte Ltd. to provide Scaffolding Services

2015
Mun Siong Engineering Ltd re-structured the Senior Management Team & embarked on the Journey for modernisation

2017
- Established Pegasus Advance Engineering Co., Ltd in Myanmar
- Integrated Rotating Equipment and Scaffold Services into Mun Siong Engineering



CORPORATE

STRUCTURE

MUN SIONG ENGINEERING LIMITED

- OHM ENGINEERING PTE LTD
- PEGASUS ADVANCE ENGINEERING PTE LTD
  - PEGASUS ADVANCE ENGINEERING LLP
  - PEGASUS ADVANCE ENGINEERING CO., LTD
- MUN SIONG ENGINEERING SDN BHD

Our Partners

Mechanical Engineering

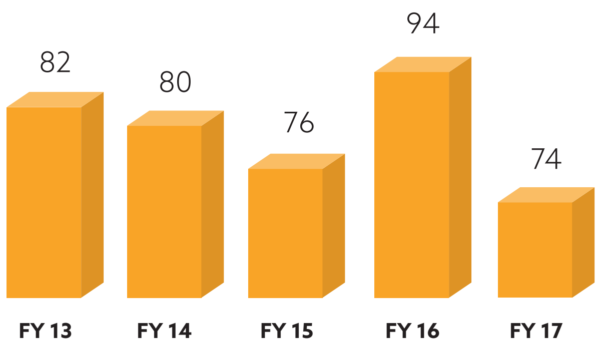
- Fabrication and Erection of Steel Structures; Fixed Equipment and Piping work
- Plant Shut-down / Turnaround Management
- Construction & Maintenance of Storage Tanks
- Exchanger Re-tubing
- Tube Shooting Services for Heat Exchangers (Conco Systems)
- On-site Flange Re-facing
- Ultra-high Pressure Abrasives Water-jet Cutting Services
- Mechanical De-coking of Heaters
- Anti-Corrosion and Anti-Wear Coatings (Curran International and Oxifree)
- Supply and Repair of Mechanical Seals and Systems (STB GmbH)
- Removal, Servicing, Repairing, Overhauling and Installation of Equipment
- Dynamic Balancing of Rotors and Impellers
- Condition Monitoring
- Fabrication and Assembly of Equipment Packages
- Scaffolding Services
- Hydraulic Bolt Torqing & Tensioning (Torq / Lite)
- Trenchless Pressure Pipeline Rehabilitation (Primus Line)

Electrical & Instrumentation

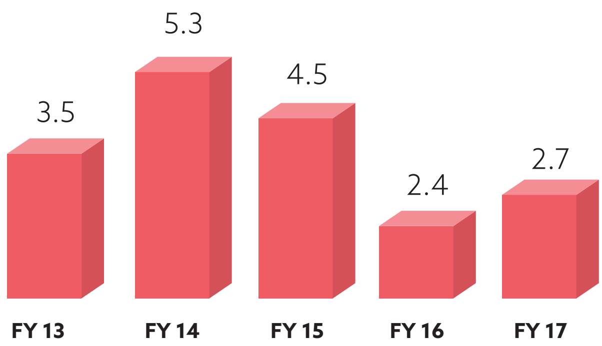
- Transformers, Switchgears and Control Panel Installation and Maintenance
- Electrical and Instrumentation Installation and Maintenance
- Calibration and Testing of Instruments
- Loop Check, Testing and Pre-Commissioning
- Excavation and Cable Laying
- Design and Fabrication of Instrumentation and Control Systems
- Installation of Distribution Control System & PLC Solutions
- Supply of Uninterruptable Power Supplies (J. Schneider Elektrotechnik)

GROUP FINANCIAL **HIGHLIGHTS**

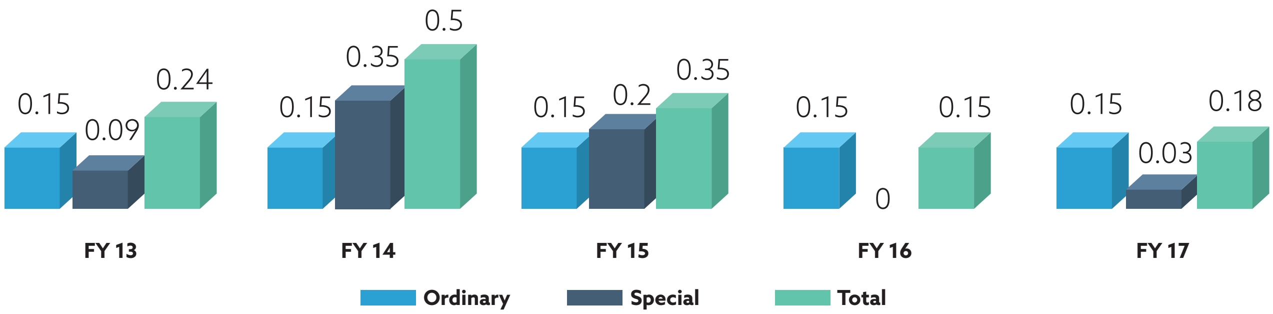
GROUP REVENUE S$ (M)



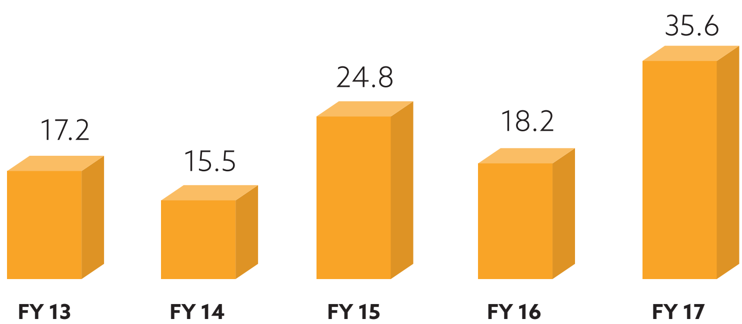
GROUP PROFIT BEFORE TAX S$ (M)



DIVIDEND RATE PER SHARE (CENTS)



GROUP CASH AND CASH EQUIVALENTS S$ (M)



FINANCIAL CALENDAR 2018 (Tentative Dates)

13 February 2018	Announcement of FY2017 Results
20 April 2018	Annual General Meeting for 2017
8 May 2018	Annoucement of 1Q2018 Results
8 August 2018	Annoucement of 2Q2018 Results
8 November 2018	Annoucmenet of 3Q2018 Results

EXECUTIVE CHAIRLADY'S **MESSAGE**

Dear Shareholders, Business Partners, Colleagues and Friends

Adversities

The just concluded financial year was another challenging year for all of us in the oil and gas process industry. Mun Siong Engineering Limited and its subsidiaries ("Mun Siong Engineering"), with more than 40 years of history, was not spared from the challenges in the strong and relentless head winds in the industry. Competition for projects were intense in the current year and even though we have more than 40 years of project management capabilities, we were continuously called to the test as profit margins for projects came under strong downward pressure.

Achievements

Despite this challenging period, on behalf of the Board of Directors, I am pleased to announce that the Group has achieved another year of profitability, with improvements in profit margins, and an even stronger financial position.

In FY2017, the Group achieved a revenue of S$73.6 million and a profit before taxation of S$2.7 million. Revenue in FY2017 was a decline of 22.0 per cent as compared to that of FY2016 (S$94.3 million). However, our profit before taxation in FY2017 improved by 9.7% from S$2.4 million in FY2016 to S$2.7 million in FY2017 due mainly to increased emphasis on cost managements and productivity improvements, and increased investment in capital expenditure to enhance the operating capabilities of our business.

As at 31 December 2017, our Group's shareholders' funds stood at S$59.7 million, an increase of 2.2% as compared to that of 31 December 2016 (S$58.4 million). Our cash and cash equivalents increased from S$18.2 million in FY2016 to S$35.6 million in FY2017, an increase of 95.7%. Our core businesses generated S$19.2 million of cash inflows in FY2017 in contrast to a cash outflow of S$0.4 million in FY2016.

"We maintain our long-term views and strategies to focus on our maintenance services and to retain a competent core team with low attrition rate."

CHENG WOEI FEN
Executive Chairlady

We maintain our long-term views and strategies to focus on our maintenance services and to retain a competent core team with low attrition rate. In achieving our resource target and competitiveness, we integrated our rotating equipment services and scaffolding works into the Group to allow the effective utilisation of resources and to provide relevant training to widen and enrich the staff's capabilities to multi task at the job site.

Another initiative that the Group is presently undertaking is the integration of our wholly-owned subsidiary, OHM Engineering Pte Ltd, into our main activities. This integration will help to better streamline our operations and to make further cost savings. The operational integration is expected to be completed by the second half of 2018.

Our commitment towards safety, quality, leadership, teamwork as well as customer focus continues to be our core values and the cornerstones of our success. In addition to our values, we believe that building a good management team that is able to rise to the challenges and respond to the needs of our business partners are of great importance. Our human resource strategy is to reinforce our staff advancement program and to develop our managers to rise up the ranks and equip them with the relevant knowledge to overcome challenges. This process takes time and conscious effort to develop.

Challenges ahead

Despite improvements in crude oil prices (WTI), as compared to the prices during FY2016, and positive developments in the capital markets, the outlook for FY2018 for the Group remains cautiously optimistic. The Group expects capital commitments by our major business partners to be slower in FY2018 due mainly to higher funding cost in the market and cautious outlooks on major global economies. This may result in further decline in the Group's revenue.

Our vision of being the preferred and most trusted turnkey solution provider to our business partners, developing and retaining our staff, and improving our processes continues to be our driving force. The Group is focused on delivering the needs of the global market in order to align our business with prevailing market conditions. This requires us to emphasize on enhancing and strengthening our turnkey capabilities, expanding and growing our business in the region through the provision of our detailed engineering capabilities and increasing our range of exclusive products and specialised services to our existing and new business partners with higher value-added propositions.

We have a team of good leaders who are driven by the values of high work commitment and are one of our key success factors. The Group is also currently undertaking efforts to set up plants in overseas markets. This process has been slow in recent years as the Group has been cautious on the selection of its partners and to protect shareholders' value in our expansion.

We are working to develop the Group into a focused and resilient Group, responding to the needs of our customers. We will continuously assess our external environment, the markets, and the underlying economic, political and social drivers that shape them in order to anticipate changes in competitive forces and business models. We maintain business strategies and plans that focus on actions and capabilities to create and sustain our competitive advantage. Building on our excellent safety and technical expertise records, we are confident that we can continue to attract viable projects despite the cost pressures from the industry. For this forthcoming financial year, the Group will continue to streamline its operations, improve its competitiveness, increase its customer base and diversify into related activities in the Oil & Gas industry.

The Group will also be making investments in automation processes and machinery, thereby reducing reliance on foreign manual manpower and improving our productivity and quality of work. These investments will result in cost savings and operational efficiency in the long-term. With continued tight labour market and rising costs, the Group will monitor its operating costs closely, increase productivity and ensure profitability in its projects. Staff retention is also a challenge and the Group will be emphasizing on staff training, gearing them towards meeting the expectations of our business partners and building on our excellent Safety and Health record.

Given the expected global uncertainty and volatility in the Oil & Gas industries, securing new contracts will continue to be a challenge but with perseverance, resilience, and our excellent track record, the Group is confident of securing viable new contracts in the year ahead. The Group is also looking to tender successfully for good contracts both locally and internationally as it forges to increase its customer base and diversify into related services in the oil & gas industry. This includes forming strategic alliances to enhance and expand its range of services and products.

On the investment front, with a strong balance sheet, the Group is in a good position to evaluate viable investments opportunities. All investment opportunities shall be evaluated to ensure that they add value to the Group and enhance the net worth of our shareholders in the long term. Mun Siong Engineering's strategies and unwavering commitment to the highest standards of integrity underpin everything we do.

Dividend

As a token of appreciation to shareholders for their continual support and trust, the Board of Directors is pleased to propose a final tax exempt (one tier) dividend of 0.18 cents per share, comprising of an ordinary dividend of 0.15 cents per share and a special dividend of 0.03 cents per share. This proposed dividend is subject to the approval of shareholders in the forthcoming Annual General Meeting ('AGM").

Based on the number of outstanding shares as at the date of this report, the dividend payout is expected to be S$1.04 million, which is higher than the dividend payout of S$0.9 million (0.15 cents per share) in FY2016. This proposed dividend makes up to approximately 48.2% of the profit after tax in FY2017. The proposed final dividend if approved by the shareholders in the AGM will be paid on 18 May 2018.

Sustainability

The Group recognises that embracing sustainable practices is a business priority that is important for the long-term development and success of our business. We are pleased to issue our first Sustainability Report this year, which is based on the Global Reporting Initiative ("GRI") G4 Reporting Guidelines and will be uploaded at our website by 20 April 2018. Our sustainability report committee is formed to ensure that the sustainability of our business in the long term is in sync with our positive financial performance. You may wish to refer to our website at www.mun-siong.com after 20 April 2018 for more details on our Sustainability Report.

Appreciation

I would like to thank our Board of Directors for their wise guidance and advice, the management and staff for their dedication, hard work and commitment, and our shareholders and business partners for their continuous support and trust.

Cheng Woei Fen
Executive Chairlady

BOARD OF
DIRECTORS

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

Executive
Committee

Front Row Left to Right: John L. Parkinson, Cheng Woei Fen, Quek Kian Hui & Johnny Yeo Sheok Yeow
Back Row Left to Right: Lin Yan, Wei Qian, Teo Kheng Hock & William M. Watson

BOARD OF DIRECTORS
PROFILE

Cheng Woei Fen *(Executive Chairlady)*

Ms Cheng was first appointed to the Board in 1981 and last re-elected as a director on 20 April 2016. 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 University of Singapore. She is the 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 Kian Hui *(Executive Director)*

Mr Quek has served as an Executive Director of the Group since being appointed by the Board on 16th June 2014, and is also a member of the Executive Committee. He was last re-elected on 20 April 2017. Prior to joining Mun Siong Engineering, Mr Quek was involved in a major project for Chiyoda Singapore (Pte) Ltd as part of the Mechanical Engineering team, executing a project for Shell. As the Executive Director of Mun Siong Group, Mr Quek oversees the corporate services of the company, including Business Development, Contracts & Procurement, Information Technology, Warehousing and Logistics. His area of responsibility also includes the Specialised Services Department which performs niche maintenance services internationally. In addition, Mr Quek has been able to utilise his strong engineering background to expand their range of engineering services, and he is also keenly driving the company towards a process and data-driven system, suitable for the ever evolving needs of the Group's business partners.

Mr Quek holds a MBA and a Bachelor's degree in Mechanical Engineering from Purdue University, USA.

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

Mr Tan was appointed a Director on 1 October 2012 and last re-elected on 20 April 2017. He is the Chairman of the Audit Committee and is 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 last re-elected as a director on 20 April 2016. 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; Singapore Reinsurance Corporation Ltd and Lum Chang Holdings Ltd. He also sits on the Board of 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 and last re-elected on 20 April 2016. He is the Chairman of the Nominating Committee and a member of both the Audit Committee and the Remuneration Committee. Dr Lau is a retired lawyer. He was 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).

CORPORATE GOVERNANCE

INTRODUCTION

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

To heighten awareness on conflicts of interest that may arises between directors and the Company, the Board has put in place, on its own accord, its own guidelines, which have been incorporated into the Company's corporate governance statement. These guidelines are explicit and further elaborate the intentions and spirit of the 2012 Code. (Please refer to the section on **"Guidelines relating to conflict of interest between directors and the Company"** in this report).

This report describes the Group's corporate governance practices and structures that were in place during the financial year ended 31 December 2017 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 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 businesses and its performance. To fulfil this role, the Board is responsible for the following:

- Providing entrepreneurial leadership, setting 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. economic, social and governance 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 practices.

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 are 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	3	3#	NA	1	1#
Quek Kian Hui*	M	4	4	NA	4	4#	NA	3	3#	NA	1	1#
Non-Executive Directors												
David Tan Chao Hsiung	M	4	4	C	4	4	M	3	3	M	1	1
Peter Sim Swee Yam	M	4	4	M	4	4	M	3	3	C	1	1
Lau Teik Soon	M	4	4	M	4	4	C	3	3	M	1	1

C: Chairman; M: Member

\# *By invitation*

* *Quek Kian Hui is the son of Cheng Woei Fen*

There was no new director appointed in the financial year ended 31 December 2017. The Board has and will continue to have in place a formal letter to each new 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 Board comprises five members, three of whom are non-executive directors. All the non-executive directors are also independent as described in 2012 Code (i.e. they have no relationship with the Company, its related companies, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the Group), and they are able to exercise objective judgment on corporate affairs independently from Management.

CORPORATE GOVERNANCE

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	20 April 2016 (retiring via rotation at the forthcoming Annual General Meeting ("AGM")
Quek Kian Hui*	Executive Director	16 June 2014	20 April 2017
David Tan Chao Hsiung	Non-Executive and Lead Independent Director	1 October 2012	20 April 2017
Peter Sim Swee Yam	Non-Executive and Independent Director	11 October 2010	20 April 2016 (retiring via rotation at the forthcoming AGM)
Lau Teik Soon	Non-Executive and Independent Director	9 April 2013	20 April 2016

* *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 mergers and acquisitions, and 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 non-executive director annually based on the definitions and guidelines of independence set out in the 2012 Code.

There is a strong independent element on the Board as the non-executive and independent directors comprise the majority of the Board. Board's decisions are undertaken on a unanimous basis and no individual or group is able to dominate the Board's decision-making process. There is also an 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 (or business associates), suppliers and the many communities in which the Group conducts its 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 and independent 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 bases 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 (and some whom are also executive directors), the interest of minority shareholders is fairly represented through the representation of the non-executive and independent directors.

Chairman and Chief Executive Officer

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 Chief Executive Officer ("CEO") 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 CEO is responsible for the operation, business direction, strategic positioning and business expansion of the Group. Currently the function of the CEO has been shared between the two executive directors, Cheng Woei Fen and Quek Kian Hui, who is the son of the Chairlady.

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 management team and Company Secretary. The Chairlady reviews the 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 staff who has prepared the papers, or who can provide additional insight into the matters to be discussed, is 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.

The roles of the Chairman and CEO were either held by the same individual or related individuals. As the arrangement is a deviation from the principle, 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 Chao Hsiung is available to shareholders, when they have concerns, in which contact through the normal channels of the Chairlady or the finance director 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 and recommendation 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 cessation and appointment of key executives, remunerations of the executive directors and key executives, and feedbacks from the external auditors.

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 three formal and several informal meetings during the financial year.

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

1. Making recommendations to the Board on all board appointments and appointment of key management personnel. During the 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; including the consideration for gender as well as the diversity in their nationalities. 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 Constitution of the Company. In its deliberations on the re-nomination of existing directors; the Nominating Committee takes into consideration the directors' contributions 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.

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 fulfil 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 annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

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

The assessment utilizes a confidential questionnaire, covering areas such as Board composition, Board processes managing the Group's performance and the effectiveness of the Board in its monitoring role. The questionnaire is completed by members of the 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, whereby the assessment parameters for such individual evaluation are consolidated in the questionnaire together with the assessment of the effectiveness of the Board. New members may be appointed or resignation of directors may be sought following the review of the aforesaid assessment.

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

Access to Information

Principle 6: In order to fulfil 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, amongst 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, if any. 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, the executive director, the finance director/chief financial officer (whom is also the Company Secretary) 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 for example the engagement of REV Law LLC to advise the Board on the Group's contingent liabilities (please refer to page 78 of this annual report).

All directors have separate and independent access to the advice of the Company Secretary. The Finance Director is the Company Secretary of the Company with professional corporate secretarial support from RHT Corporate Advisory Pte. Ltd. ("RHTCA"). The Company Secretary and a member of RHTCA will be present at all meetings of the Board and ensures that procedures are followed, and that applicable rules and regulations are complied with. The Company Secretary and a member of RHTCA will also attend all meetings of the Audit Committee, Remuneration Committee and Nominating Committee. Under the direction of the Chairlady, 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 Constitution 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, allotment of performance shares 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 may from time to time refer to market reports on average remuneration or seek expert or independent professional advice.

During the financial year, the Remuneration Committee has reviewed the proposed renewal to the employment terms and conditions (including remuneration) of key executives. The Remuneration Committee is satisfied that the terms and conditions (including remuneration) for the key executives are reasonable and are in line with the Group's existing human resource policies, and accordingly, has recommended the aforesaid to the Board for adoption.

To further align the interest of key executives with shareholders, the Company has put in place a performance share plan. This was approved and adopted by the shareholders in the 2017 AGM held on 20 April 2017 for a maximum duration of 10 years from the date of adoption.

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 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 tenor of three years. The Remuneration Committee is of the view that the tenure of the service agreements are not excessively long.

The remuneration package of key executives comprises both fixed and variable components 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 annual appraisal of employees and using performance 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 AGM. 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 his/their independence could be compromised.

A substantial portion of the Group's key customers (or business associates) are from the oil and gas industry that operates processing plants and facilities. This industry is currently facing strong headwinds. This has put strong challenges to the Management of the Group to maintain profitability.

The Board has recognised these challenges that the Group faces and have adopted the following stance:

- Maintaining a minimum increase in the salaries of key executives – this is to maintain overall competitiveness of the Group;
- No increment in the salary for the Chairlady as per the last renewal of her service agreement which is correlated to the financial performance of the Group; and
- The non-executive and independent directors, have on their own accord, offered to maintain the reduced directors' fees as in the prior year

The Board believes that in order to lead, they must first set an example.

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 three 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 Company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable the investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The Group links its remuneration policy to achievement of key performance indicators. Key performance indicators of the Group are orientated towards retention of customers (or business associates), 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 costing (at the tendering stage), 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 (or business associates).

The service agreement of Cheng Woei Fen was consistent with service contracts entered into between the Company and its executive directors, with a substantial portion of their remuneration (in dollar terms) 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

	Total Remuneration $'000	Breakdown in percentage: Base/fixed salary %	Director's fees %	Variable or performance-related income/bonuses %	Benefits in kind %	Total %
Directors						
Cheng Woei Fen	245	91.9	–	2.8	5.3	100.0
Quek Kian Hui	165	88.0	–	4.2	7.8	100.0
David Tan Chao Hsiung	44	–	100.0	–	–	100.0
Peter Sim Swee Yam	39	–	100.0	–	–	100.0
Lau Teik Soon	39	–	100.0	–	–	100.0
Top 5 management personnel						
Above $250,000 and below $500,000						
Lin Yan		72.1	–	23.3	4..6	100.0
Below $250,000						
Seah Hai Yang (1)		97.0	–	–	3.0	100.0
Wei Qian		88.1	–	4.5	7.4	100.0
William Mclean Watson		91.7	–	7.7	0.6	100.0
Yeo Sheok Yeow Johnny (2)		91.8	–	–	8.2	100.0

Note:
(1) Resigned as Chief Financial Officer on 30 November 2017
(2) Appointed as Finance Director on 16 November 2017

In line with the Group's financial performance for financial year 2017, based/fixed salary formed a substantial portion of the total remuneration of the executive directors (including that of the executive Chairlady) and key executives.

The total remuneration for the above key management personnel was $855,000.

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

(C) ACCOUNTABILITY AND AUDIT

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 the quarterly and full year financial results through announcements via the SGXNET system on the website of the SGX-ST and, where appropriate and necessary, 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 framework is formulated in compliance to the Government policies and and SGX-ST's continued listing guidelines and 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.

During the financial year, the internal auditor of the Group was engaged to perform an Enterprise Risk Management (the "ERM") study. Potential risks were identified and were assessed for its impact on the Group. Assessment was made to ensure that adequate internal controls measures are in place to monitor and manage such risks. The Group recognises that such risk cannot be eliminated; rather it can only be mitigated.

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 executive director. Those in excess of certain percentage of the Group's shareholders' funds would require approval by the Board.

Operational risk relates to the costs of not being able to complete a project or work on time or at over budgeted cost/ contract value. 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 (or business associates). Breaches of safety regulations will result in heavy financial losses to the Group and severe operating restrictions imposed on the Group by customers (or business associates) and relevant regulatory authorities (for example the Ministry of Manpower). 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 (or business associates) 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 or malicious cyber attacks. 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 (or business associates) 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 (or business associates) of the Group. The Group tries to reduce the market concentration risk by maintaining its long-term relationships with these customers (or business associates). The Group also tries to reduce its market concentration risk by diversifying its source of revenue.

Over the past few years, the Group has undertaken a number of initiatives to diversify its revenue base and broaden its range of services. These include the acquisition of the business involving the overhauling and maintenance of rotating equipment, obtaining agency agreements for distributorship of several types of mechanical and electrical components, establishment of in house scaffolding capabilities and providing specialised coating services. During the financial year, the Group has established a joint venture company in Myanmar to explore business opportunities there.

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 (or business associates). 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. In the recent years, the Group has looked beyond Singapore, Philippines and India in the recruitment of human capital, and has reached out to countries like North America, United Kingdom and Australia.

Assurances from the Chairlady and Finance Director

In addition, the Board has received assurances from the Executive Chairlady and the Finance Director:

- 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 also attended by the executive directors, heads of business units, finance director, the former Chief Financial Officer and 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 mergers and acquisitions and capital markets transactions. He has in the past, served in a number of SGX-ST listed companies (both the Catalist and the 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 SGX-ST listed companies that he held directorships as well as management experience from his own legal practice. Lau Teik Soon, is a retired solicitor, is currently a board member of another SGX-ST mainboard listed company and has relevant experience from his involvement in the board committees of listed companies. Besides this, he has in the past, served on the board of directors of three other SGX-ST 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 functions;
- 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 internal and 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 as well as the operations 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 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 finance director/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$130,000	S$18,000

The non-audit fee related to tax filing services.

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

The Audit Committee is satisfied that the Group has complied with Rules 712, 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.

During the financial year under review, there were no reported cases under the whistle blowing programme.

Interested Person Transactions

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

There were no interested person transactions during the financial year under review for disclosure pursuant to Chapter 9 of the Listing Manual. There was also no general mandate for interested person transactions.

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 a 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 year, the Board has commissioned the internal auditors to conduct an Enterprise Risk Management ("ERM") study. The ERM study identified potential key risks and assessed their impact on the Group. Assessment was made to ensure that adequate internal control measures are in place to monitor and manage such risks.

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 AGM yearly. The Notice of the AGM is also advertised in the local press. The AGM is the principal forum for dialogue between the Board and the shareholders. The Constitution 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 telephone or email 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 the financial performance of the Group and availability of excess funds (after taking into consideration business expansion plans, capital expenditure and working capital requirements for the forthcoming year). While there is no definitive policy, the Board will endeavour to have a dividend rate that reflects closely with the Group's performance.

For the financial year ended 31 December 2017, the Board has proposed, subject to shareholders' approval at the AGM, a total tax exempt (one-tier) dividend of 0.18 cents per ordinary share (2016:0.15 cents) comprising a final dividend of 0.15 cents per ordinary share (2016:0.15 cents) and a special dividend of 0.03 cents per ordinary share (2016:Nil cents).

The dividend proposed for FY2017 is expected to be about S$1,044,000 (based on the 579,508,400 shares outstanding excluding treasury shares) as compared to S$859,000 paid in respect of FY2016. Beside a higher dividend per share, the number of shares outstanding in FY2017 was higher due to the exercise of warrant resulting in a higher total dollar dividend payout. Warrants that were not exercised by September 2017 have since expired. The total dollar value of the proposed dividend represents about 48% of the Group's profit after tax for financial year 2017.

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 Constitution 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 will be set out as distinct issues for approval by the shareholders at the meeting.

At each AGM, 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 Chairman of the Audit, Nominating and Remuneration Committees, or members of the respective Committees standing in for them, are present at each AGM, and other general meetings held by the Company, if any, to address shareholders' queries. Appropriate senior management personnel/members are also present at general meetings to respond, if necessary, to operational questions from shareholders.

The Company also prepares 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.

Resolutions tabled for approval at the general meeting will be decided by poll in compliance with the Listing Rules for all companies listed on the SGX-ST (both the Catalist and the main board) and the outcome of the poll will be disclosed over the SGX website.

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.

Guidelines relating to conflict of interest between directors and the Company

Directors have a duty to act in the best interest of the Company and should ensure that his duty is not impaired in any way. As such, directors should refrain from placing themselves in a situation where these interest, whether professional or personal, would likely to be directly or indirectly in conflict with the interests of the Company.

In order to protect the reputation of both the director and the Company, directors should as far as possible also avoid situations which might reasonably appear to be conflicts of interest and could result in an appearance of impropriety.

A conflict of interest exists where a director's personal or business interest interferes, or even appears to interfere, in any way with the interests of the Company. Directors have a duty to be free from the influence of any conflicting interest when they participate in board or board committee deliberations or voting.

Directors owe a duty to the Company to advance the Company's legitimate interests when the opportunity to do so arises. Directors are prohibited from (i) taking themselves (or directing to family members, companies to which they are affiliated or to any third parties) personal business opportunities that arise through the use of the Company's property, information or their position as director; (ii) using Company's property, information or their position as a director for personal gain; (iii) competing with the Company for business opportunities; (iv) using the Company's property, information or their position as a director for improper purposes; or (v) causing detriment to the Company.

In any situation that involves a conflict of interest with Company, directors must:

a) Promptly disclose such interest at a meeting of the directors or by sending a written notice to the Company Secretary containing details of the interest and the nature of the conflict. Duty to disclose to the Board is non-delegable and the responsibility falls on the director alone; and

b) Recuse themselves from participating in any discussion and decision on the matter.

If in doubt as to whether a particular interest might conflict with the interests of the Company, directors should err on the side of caution and disclose the potential conflict to the Board as long as there is even the slightest possibility of a potential conflict.

Loans from the Company to directors or persons and companies associated with directors are prohibited, except in the limited circumstances permitted under the Companies Act (Cap 50).

Use of Proceeds from Rights Issue of Warrants and IPO

a) Rights Issue of Warrant

In September 2014, the Company successfully completed a rights issue of warrants that involves the issuance of 166,683,200 warrants at the issue price of S$0.0015 per warrant (the "Rights Issue"). The net proceeds raised (after deducting related expenses) was S$77,000.

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

As at the date of this report, 164,838,400 warrants had been exercised and 1,844,800 outstanding warrants lapsed as at the expiry date of 8 September 2017. The proceeds of S$1.65 million has been applied in the following manner:

Description	**Amount (S$'000)**
Proceeds from warrants conversion	1,648
Purchase of vehicles	(407)
Purchase of equipment	(618)
Purchase of materials and services for operations	(623)
Balance	–

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 unutilized balance brought forward from the previous financial year is S$2,451,000 and the Company has utilised the balance as follow:

Purpose / Amount (S$'000)	**Raised at IPO**	**Balance b/f**	**Utilised in FY2017**	**Balance c/f**
To establish a regional presence	4,000	2,191	(66)	2,125
To establish an engineering design centre and upgrade of existing database management system	1,000	326	–	326
Widening the range of services available to our customers	12,500	–	–	–
Working capital	1,400	–	–	–
Total	**18,900**	**2,517**	**(66)**	**2,451**

Note: The Company has on 20 November 2012 announced on the SGXNET that it will defer its plans to further expand its range of services in light of the negative sentiments in the process industry.

DIRECTORS' STATEMENT

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 2017.

In our opinion:

(a) the financial statements set out on pages 35 to 78 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, 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.

Directors

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

Cheng Woei Fen
Quek Kian Hui
David Tan Chao Hsiung
Peter Sim Swee Yam
Lau Teik Soon

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**	**Holdings at end of the year**	**Holdings at beginning of the year**	**Holdings at end of the year**
The Company				
Ordinary shares				
Cheng Woei Fen	278,997,600	278,997,600	35,427,400	36,167,400
Quek Kian Hui	86,376,800	86,376,800	–	–
Peter Sim Swee Yam	140,000	140,000	–	–

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 statement, no director who held office at the end of the financial year had interest in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning or at the end of the financial year.

There were no changes in any of the abovementioned interest in the Company between the end of the financial year and 21 January 2018.

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.

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, 11,753,000 (2016: 6,121,000) warrants were exercised and converted into 11,753,000 (2016: 6,121,000) ordinary shares. The warrants expired on 8 September 2017 and the balance of the unexercised 1,844,800 warrants lapsed.

Audit Committee

The members of the Audit Committee during the year and at the date of this statement 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 has held four meetings since the last directors' statement. 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.

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 and 715 of the SGX Listing Manual.

DIRECTORS' STATEMENT

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 Kian Hui
Director

14 March 2018

INDEPENDENT AUDITORS' REPORT

Members of the Company
Mun Siong Engineering Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Mun Siong Engineering Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 35 to 78.

In our opinion, the accompanying 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 Singapore Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *'Auditors' responsibilities for the audit of the financial statements'* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk in revenue recognition and assessment of risk of foreseeable losses on construction contracts (contract revenue of $35.2 million)
(Refer to Notes 11 and 21 to the financial statements)

The key audit matter	*How the matter was addressed in our audit*
The recognition of revenue in relation to contracts requires judgement to be exercised in determining the stage of completion, the estimated total contract revenue and contract cost to completion, as well as the recoverability of the contract cost incurred. As certain contracts are long term in nature and may span over the financial year, changes in conditions and circumstances over time can result in variations to the original contract terms, including cost overruns which require further negotiation and settlements resulting in the need for provisions. Management performs monthly review of projects. This is done through comparison of actual costs against budgeted costs and recomputing stage of completion, so as to ascertain proper recognition of revenue and costs and to evaluate each project's profitability. Revisions in budget, if any, is approved by executive directors or project directors, based on approval limits set.	We assessed whether the revenue recognition policies adopted complied with FRS. We tested the controls designed and applied by the Group in relation to revenue and costs on construction contracts. We reviewed the project costing and discussed with the respective project managers and/or management on (i) the overall reasonableness of the estimated total costs for projects and ascertained adequacy of cost accruals at year end; (ii) the recovery of variation orders, if any; (iii) the progress of the projects versus agreed timetable/milestones of the projects. We performed re-computation of management's computation of the stage of completion to ascertain proper recognition of revenue and costs. We compared the latest estimated total costs against the contract sum agreed with customers to identify any foreseeable losses. *Our findings* We found that the assumptions, resulting estimates applied and the disclosures to be balanced.

<table>
<tr><td colspan="2">Impairment of non-financial assets (property, plant and equipment of $14.6 million, intangible asset of $0.7 million and goodwill of $1.0 million)
(Refer to Notes 4, 5 and 6 to the financial statements)</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The net asset position of the Group of $59.7 million was higher than the market capitalisation of $40.1 million as at 31 December 2017, indicating that non-financial assets could be overstated.

The recovery of these assets depends on a combination of factors in achieving sufficient future profits and cashflows. The recovery amounts for each of the cash generating units have been calculated based on value-in-use, in which management exercised their judgement in making key assumptions such as future cash flows and discount rates. Due to the level of judgement involved in these assumptions, this is one of the key areas that our audit concentrated on.

Future cash flows are projected by experienced project directors based on existing and future projects and maintenance contracts, past performance and expectation of market developments, and are approved by the executive directors.</td><td>We reviewed the identification of cash generating units by management against the requirements of financial reporting standards, taking into account any business changes during the year.

We challenged the appropriateness of key assumptions underlying the discounted cash flows (including management's expectation of market developments, future cash flows based on projects and maintenance contracts, and discount rate) by comparing these assumptions against the historical trends of the Group and industry.

We performed retrospective review to assess for significant management bias by comparing prior year's budget to actual outcomes.

We evaluated the sensitivity of the outcomes by considering downside scenarios against reasonably plausible changes to the key assumptions.

We rationalised the difference between market capitalisation and the net asset value, having regard to analyst valuations and commentaries, liquidity of shares, and comparable information from key competitors.

We considered the appropriateness of the related disclosures in Notes 4, 5 and 6 to the financial statements.

Our findings
We found that the assumptions, resulting estimates applied and the disclosures to be balanced.</td></tr>
</table>

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors 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 Act and FRSs, 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit 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 Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT

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 those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Tan Yek Lee Doreen.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
14 March 2018

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Assets					
Property, plant and equipment	4	14,616	17,102	14,658	17,088
Intangible asset	5	742	891	742	891
Goodwill on consolidation	6	1,001	1,001	–	–
Investment properties	7	1,225	1,310	1,225	1,310
Subsidiaries	8	–	–	4,492	4,741
Non-current assets		17,584	20,304	21,117	24,030
Inventories	10	603	259	603	259
Contract work-in-progress	11	1,138	12,407	956	11,603
Trade and other receivables	12	15,970	22,369	15,230	20,731
Cash and cash equivalents	13	35,648	18,211	22,030	5,725
Current assets		53,359	53,246	38,819	38,318
Total assets		70,943	73,550	59,936	62,348
Equity					
Share capital	14	26,254	26,130	26,254	26,130
Capital reserve	15	–	6	–	6
Translation reserve	16	2	9	–	–
Treasury shares	17	(118)	–	(118)	–
Retained earnings		33,513	32,205	22,969	18,701
Total equity		59,651	58,350	49,105	44,837
Liabilities					
Loans and borrowings	18	100	–	100	–
Provision for restoration costs	19	337	320	337	320
Deferred tax liabilities	9	1,435	1,286	1,435	1,281
Non-current liabilities		1,872	1,606	1,872	1,601
Trade and other payables	20	8,198	13,289	8,079	15,644
Excess of progress billings over contract work-in-progress	11	868	266	861	266
Loans and borrowings	18	19	–	19	–
Current tax payable		335	39	–	–
Current liabilities		9,420	13,594	8,959	15,910
Total liabilities		11,292	15,200	10,831	17,511
Total equity and liabilities		70,943	73,550	59,936	62,348

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	Note	2017 $'000	2016 $'000
Revenue	21	73,568	94,341
Cost of sales		(66,062)	(87,644)
Gross profit		7,506	6,697
Other income	22	1,001	1,506
Administrative expenses		(5,846)	(5,983)
Other operating expenses		(116)	(7)
Results from operating activities		2,545	2,213
Finance income	23	127	255
Finance costs	23	(19)	(49)
Profit before tax	24	2,653	2,419
Tax (expense)/credit	25	(486)	202
Profit for the year		2,167	2,621
Other comprehensive income			
Item that is or may be reclassified subsequently to profit or loss:			
Foreign currency translation difference from foreign operations		(7)	3
Total comprehensive income for the year		2,160	2,624
Earnings per share			
Basic earnings per share (cents)	26	0.38	0.46
Diluted earnings per share (cents)	26	0.38	0.45

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

Group	Note	Share capital $'000	Capital reserve $'000	Translation reserve $'000	Retained earnings $'000	Total $'000
At 1 January 2016		26,066	9	6	31,565	57,646
Total comprehensive income for the year						
Profit for the year		–	–	–	2,621	2,621
Other comprehensive income						
Foreign currency translation difference from foreign operations		–	–	3	–	3
Total comprehensive income for the year		–	–	3	2,621	2,624
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Shares issued for exercise of warrants		64	(3)	–	–	61
Dividends	14	–	–	–	(1,981)	(1,981)
Total transactions with owners		64	(3)	–	(1,981)	(1,920)
At 31 December 2016		26,130	6	9	32,205	58,350

Group	Note	Share capital $'000	Capital reserve $'000	Translation reserve $'000	Treasury shares $'000	Retained earnings $'000	Total $'000
At 1 January 2017		26,130	6	9	–	32,205	58,350
Total comprehensive income for the year							
Profit for the year		–	–	–	–	2,167	2,167
Other comprehensive income							
Foreign currency translation difference from foreign operations		–	–	(7)	–	–	(7)
Total comprehensive income for the year		–	–	(7)	–	2,167	2,160
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners							
Shares issued for exercise of warrants		124	(6)	–	–	–	118
Share buy-back – held as treasury shares		–	–	–	(118)	–	(118)
Dividends	14	–	–	–		(859)	(859)
Total transactions with owners		124	(6)	–	(118)	(859)	(859)
At 31 December 2017		26,254	–	2	(118)	33,513	59,651

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Profit before tax		2,653	2,419
Adjustments for:			
Change in fair value of investment property		85	–
Depreciation of property, plant and equipment		3,749	3,659
Amortisation of intangible asset		149	149
Interest expense		2	33
Net gain on disposal of property, plant and equipment		(127)	(122)
Provision for foreseeable losses		2	–
Unwinding of discount on site restoration provision		17	16
Interest income		(127)	(255)
		6,403	5,899
Changes in inventories		(344)	(113)
Changes in contract work-in-progress and excess of progress billings over contract work-in-progress		11,869	(4,920)
Changes in trade and other receivables		6,399	(1,115)
Changes in trade and other payables		(5,091)	124
Cash generated from/(used in) operating activities		19,236	(125)
Tax paid		(41)	(354)
Tax received		–	129
Net cash from/(used in) operating activities		19,195	(350)
Cash flows from investing activities			
Interest received		127	255
Acquisition of property, plant and equipment		(1,133)	(3,980)
Proceeds from disposal of property, plant and equipment		128	130
Net cash used in investing activities		(878)	(3,595)
Cash flows from financing activities			
Repayment of loans and borrowings		(12)	(698)
Dividends paid		(859)	(1,981)
Proceeds from exercise of warrants		118	61
Share buy-back		(118)	–
Interest paid		(2)	(33)
Net cash used in financing activities		(873)	(2,651)
Net increase/(decrease) in cash and cash equivalents		17,444	(6,596)
Cash and cash equivalents at 1 January		18,211	24,804
Effect of exchange rate fluctuations on cash held		(7)	3
Cash and cash equivalents at 31 December	13	35,648	18,211

During the year, the Group acquired property, plant and equipment with an aggregate cost of $1,264,000 (2016: $3,980,000) of which $131,000 (2016: $Nil) was acquired by means of finance lease.

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

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 14 March 2018.

1 Domicile and activities

Mun Siong Engineering Limited (the "Company") is incorporated in the Republic of Singapore on 30 April 1969. The address of the Company's registered office and principal place of business is 35 Tuas Road, Jurong Town, Singapore 638496.

The financial statements of the Group as at and for the year ended 31 December 2017 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, provision of specialised services and investment holding. 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 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 – Impairment of property, plant and equipment
- Note 6 – Impairment of goodwill on consolidation
- Note 7 – Valuation of investment properties
- Note 28 – Impairment of doubtful receivables

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 21 – 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.

2 Basis of preparation (continued)

2.4 Use of estimates and judgements (continued)

Measurement of fair values (continued)

When measuring the fair value of an asset or a liability, the Group uses observable market 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 fall into 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 29 – Determination of fair values

2.5 Changes in accounting policies

The Group has applied the following amendments for the first time for the annual period beginning on 1 January 2017:

- *Disclosure Initiative (Amendments to FRS 7);*
- *Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to FRS 12);* and
- *Clarification of the scope of FRS 112 (Improvements to FRSs 2016).*

From 1 January 2017, as a result of the amendments to FRS 7, the Group has provided additional disclosure in relation to the changes in liabilities arising from financing activities for the year ended 31 December 2017 (see Note 18). Comparative information has not been presented.

Other than the above, the adoption of these amendments did not have any significant impact on the current or prior period and is not likely to affect future periods.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained in Note 2.5 above.

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 date of acquisition, 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.

3 Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

Business combinations (continued)

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and 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 date of acquisition. 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.

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.

Subsidiaries in the separate financial statements

Investments in subsidiaries 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 rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

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

3 Significant accounting policies (continued)

3.2 Foreign currency (continued)

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.

3.3 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 as an expense 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.

3 Significant accounting policies (continued)

3.3 Property, plant and equipment (continued)

Depreciation (continued)

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

Leasehold property	Over the remaining lease term of 3 years (2016: 4 years)
Machinery, tools and equipment	5 to 15 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.

3.4 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 either 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 item) 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 Significant accounting policies (continued)

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 are not recognised in the Group's statement of financial position.

3.8 Inventories

Inventories consists mainly of materials used for maintenance contracts and 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 3.14) 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, trade and other receivables and contract work-in-progress due from customers.

Cash and cash equivalents comprise cash balances and short-term 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 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 initially measured 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.

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury shares account. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in non-distributable capital reserve.

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)

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

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

Defined contribution plans

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 related 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 Significant accounting policies (continued)

3.13 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.

3.14 Revenue

Contract revenue

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. 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 (see Note 3.9).

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.

Rendering of services

Revenue from rendering of services is recognised in profit or loss 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.

3.15 Government grants

Government grants received are recognised as income upon receipt.

3.16 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.

3.17 Finance costs

Finance costs comprise interest expense on borrowings and unwinding of the discount on provisions. Borrowing costs are recognised in profit or loss using the effective interest method.

3 Significant accounting policies (continued)

3.18 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is 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. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

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 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.

The measurement of deferred tax reflects the consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

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

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.

3.19 Earnings per share

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

3.20 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 Group's Executive Committee to make decisions about resources to be allocated to the segments and to assess its performance, and for which discrete financial information is available.

3 Significant accounting policies (continued)

3.20 Segment reporting (continued)

Segment results that are reported to the Group's Executive Committee 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 and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets, other than goodwill.

4 Property, plant and equipment

Group	Leasehold property $'000	Machinery, tools and equipment $'000	Furniture and office equipment $'000	Motor vehicles $'000	Other assets $'000	Total $'000
Cost						
At 1 January 2016	7,689	24,617	2,534	6,422	549	41,811
Additions	–	2,905	23	1,052	–	3,980
Disposals/Write-offs	–	(211)	–	(180)	–	(391)
At 31 December 2016	7,689	27,311	2,557	7,294	549	45,400
Additions	–	550	8	695	11	1,264
Disposals/Write-offs	–	(110)	(9)	(464)	(19)	(602)
At 31 December 2017	7,689	27,751	2,556	7,525	541	46,062
Accumulated depreciation						
At 1 January 2016	4,488	13,774	1,160	5,120	480	25,022
Depreciation	696	2,097	300	544	22	3,659
Disposals/Write-offs	–	(204)	–	(179)	–	(383)
At 31 December 2016	5,184	15,667	1,460	5,485	502	28,298
Depreciation	696	2,165	258	614	16	3,749
Disposals/Write-offs	–	(110)	(8)	(464)	(19)	(601)
At 31 December 2017	5,880	17,722	1,710	5,635	499	31,446
Carrying amounts						
At 1 January 2016	3,201	10,843	1,374	1,302	69	16,789
At 31 December 2016	2,505	11,644	1,097	1,809	47	17,102
At 31 December 2017	1,809	10,029	846	1,890	42	14,616

4 Property, plant and equipment (continued)

Company	Leasehold property $'000	Machinery, tools and equipment $'000	Furniture and office equipment $'000	Motor vehicles $'000	Other assets $'000	Total $'000
Cost						
At 1 January 2016	7,824	22,753	2,844	5,193	520	39,134
Additions	–	4,296	24	1,375	–	5,695
Disposals/Write-offs	–	(211)	–	(135)	–	(346)
At 31 December 2016	7,824	26,838	2,868	6,433	520	44,483
Additions	–	542	8	695	11	1,256
Disposals/Write-offs	–	(108)	–	(464)	(14)	(586)
At 31 December 2017	7,824	27,272	2,876	6,664	517	45,153
Accumulated depreciation						
At 1 January 2016	4,476	13,427	1,491	4,505	440	24,339
Depreciation	696	1,989	296	390	22	3,393
Disposals/Write-offs	–	(204)	–	(133)	–	(337)
At 31 December 2016	5,172	15,212	1,787	4,762	462	27,395
Depreciation	696	2,155	256	563	16	3,686
Disposals/Write-offs	–	(108)	–	(464)	(14)	(586)
At 31 December 2017	5,868	17,259	2,043	4,861	464	30,495
Carrying amounts						
At 1 January 2016	3,348	9,326	1,353	688	80	14,795
At 31 December 2016	2,652	11,626	1,081	1,671	58	17,088
At 31 December 2017	1,956	10,013	833	1,803	53	14,658

Impairment of property, plant and equipment

In view of the Group's market capitalisation being lower than its net assets as at 31 December 2017, the Group performed an impairment assessment of its property, plant and equipment by determining the recoverable amount based on value-in-use. This assessment requires significant judgement and takes into account past performance, management's expectation of market developments, future cash flows and discount rates. The recoverable amount could change significantly as a result of changes in market conditions and the assumptions used in determining the recoverable amount. Based on this assessment, no impairment losses was necessary as at the reporting date.

Leased motor vehicles and machinery, tools and equipment

The Group and the Company leases motor vehicles under a number of finance lease agreements. At 31 December 2017, the net carrying amount of leased motor vehicles and machinery, tools and equipment secured under these facilities was $153,000 (2016: $Nil).

5 Intangible asset

Group and Company	Licensing rights $'000
Cost	
At 1 January 2016, 31 December 2016 and 31 December 2017	1,487
Accumulated amortisation	
At 1 January 2016	447
Amortisation	149
At 31 December 2016	596
Amortisation	149
At 31 December 2017	745
Carrying amounts	
At 1 January 2016	1,040
At 31 December 2016	891
At 31 December 2017	742

6 Goodwill on consolidation

	Group	
	2017 $'000	2016 $'000
Cost		
At 1 January and 31 December	1,636	1,636
Accumulated impairment		
At 1 January and 31 December	635	635
Carrying amounts		
At 1 January and 31 December	1,001	1,001

For the purpose of annual impairment testing, the recoverable amounts of the cash-generating units are determined based on their value-in-use calculations.

6 Goodwill on consolidation (continued)

Impairment test for goodwill

The carrying amount of the Group's goodwill on consolidation of a subsidiary was assessed for impairment. For the purpose of impairment testing, goodwill is allocated to the electrical and instrumentation cash-generating unit.

The recoverable amount of the electrical and instrumentation cash-generating unit was based on its value-in-use. Value-in-use was determined by discounting the future cash flows generated from the continuing use of cash-generating unit and was based on the following key assumptions:

- 3-year 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 time horizon. The anticipated average annual revenue growth included in the cash flow projections in the second and third year of the forecast period was approximately 11% (2016: 19%) with an average yearly gross profit margin at 24% (2016: 17%). 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 rate of 0% (2016: 0%).
- Pre-tax discount rate of 11.7% (2016: 11.7%) based on the Weighted Average Cost of Capital (WACC) where the cost of a company's debt and equity capital are weighted to reflect its capital structure, was applied in determining the recoverable amount of the cash-generating unit. The discount rate used reflects specific risks relating to the cash-generating unit.

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.

In 2017 and 2016, based on the above key assumptions, the recoverable amount exceeded the carrying amount.

7 Investment properties

	Group and Company	
	2017	**2016**
	$'000	**$'000**
At 1 January 2017	1,310	1,310
Net loss from fair value adjustments	(85)	–
At 31 December 2017	1,225	1,310

As at 31 December 2017, investment properties are stated at fair value based on valuations performed by an independent professional valuer, Alpha Appraisers LLP. 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.

7 Investment properties (continued)

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

8 Subsidiaries

	Company	
	2017	2016
	$'000	$'000
Unquoted equity investments, at cost	6,836	6,836
Allowance for impairment loss	(2,344)	(2,095)
	4,492	4,741

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Effective equity held by the Company 2017 %	2016 %
OHM Engineering Pte Ltd [(1)]	Mechanical and electrical engineering services	Singapore	100	100
Wing Wah Industrial Services Pte. Ltd.[(2)]	Mixed construction activities, manufacturing activities and process plant engineering services	Singapore	100	100
Pegasus Advance Engineering Pte. Ltd.[(1)]	Investment holding company	Singapore	100	100
Mun Siong Engineering Sdn Bhd [(3)]	Provision of engineering services and contractor to the process industries in Malaysia	Malaysia	100	100
Pegasus Advance Engineering LLP [(4)]	Provision of engineering, procurement and construction services as well as contractor to the process industries in India	India	100	100
Pegasus Advance Engineering Co., Ltd [(4)]	Provision of engineering, procurement and construction services as well as contractor to the process industries in Myanmar	Myanmar	80	–

(1) Audited by KPMG LLP.
(2) In process of liquidation.
(3) Audited by Smalley & Co., Malaysia.
(4) Audit not required by legislation.

8 Subsidiaries (continued)

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. Any impairment loss required will be determined and adjusted from the investment sum. Due to continued losses incurred by a subsidiary, 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 net assets as at 31 December 2017, which approximates the fair value less cost to sell method as the net assets comprise predominantly current monetary items (2016: fair value less cost to sell method) and an impairment loss of $249,000 (2016: $595,000) was recognised.

9 Deferred tax liabilities

Movements in temporary differences during the year are as follows:

	At 1 January 2016	Recognised in profit or loss (Note 25)	At 31 December 2016	Recognised in profit or loss (Note 25)	At 31 December 2017
	$'000	$'000	$'000	$'000	$'000
Group					
Deferred tax assets					
Unutilised tax losses and capital allowances	(62)	(294)	(356)	356	–
Provisions	–	(66)	(66)	7	(59)
	(62)	(360)	(422)	363	(59)
Deferred tax liabilities					
Property, plant and equipment	1,470	238	1,708	(214)	1,494
	1,408	(122)	1,286	149	1,435
Company					
Deferred tax assets					
Unutilised tax losses and capital allowances	–	(356)	(356)	356	–
Provisions	–	(57)	(57)	7	(50)
	–	(413)	(413)	363	(50)
Deferred tax liabilities					
Property, plant and equipment	1,281	413	1,694	(209)	1,485
	1,281	–	1,281	154	1,435

Deferred tax liabilities and assets are set off when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The amounts determined after appropriate offsetting included in the balance sheet are as follows:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Deferred tax liabilities	1,435	1,286	1,435	1,281

10 Inventories

	Group and Company	
	2017	2016
	$'000	$'000
Consumables, at cost	603	259

In 2017, changes in consumables recognised as cost of sales amounted to $388,000 (2016: $110,000).

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

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Costs incurred and attributable profits	6,606	23,706	6,370	22,056
Provision for foreseeable losses	(2)	–	(2)	–
Progress billings	(6,334)	(11,565)	(6,273)	(10,719)
	270	12,141	95	11,337
Comprising:				
Due from customers on construction contracts	1,138	12,407	956	11,603
Excess of progress billings over contract work-in-progress	(868)	(266)	(861)	(266)
	270	12,141	95	11,337

In 2017, changes in contract work-in-progress recognised as cost of sales amounted to $25,214,000 (2016: $53,314,000).

In 2017, the Group conducted a review of its long-term construction contracts and concluded that certain contracts with customers were loss-making. As a result, provision for foreseeable losses of $2,000 (2016: $Nil) was recognised.

12 Trade and other receivables

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Trade receivables	13,590	20,108	12,669	18,330
Amounts due from subsidiaries (non-trade)	–	–	253	241
Deposits	1,571	1,662	1,543	1,614
Other receivables	103	79	71	42
Loans and receivables	15,264	21,849	14,536	20,227
Prepayments	706	520	694	504
	15,970	22,369	15,230	20,731

The non-trade amounts due from subsidiaries are unsecured and interest free, and are repayable on demand.

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 28.

13 Cash and cash equivalents

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Cash at bank and on hand	8,351	9,406	7,030	5,725
Fixed deposits	27,297	8,805	15,000	–
Cash and cash equivalents in the consolidated statement of cash flows	35,648	18,211	22,030	5,725

Fixed deposits placed with financial institutions have maturity period within one month (2016: one month) from the financial year end and interest rates ranging from 0.93% to 3.00% (2016: 0.92% to 3.00%) per annum, which are also the effective interest rates.

The Company's exposure to interest rate risk for cash and cash equivalents is disclosed in Note 28.

14 Share capital

	Ordinary shares	
	2017 Number of shares	2016 Number of shares
	$'000	$'000
Company		
In issue at 1 January	569,793	563,672
Exercise of warrants	11,753	6,121
In issue at 31 December	581,546	569,793

Ordinary shares

The holders of ordinary shares (excluding treasury 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 (excluding treasury shares) rank equally with regard to the Company's residual assets.

All issued shares are fully paid, with no par value.

Issue of ordinary shares

11,753,000 (2016: 6,121,000) 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 (2016: $0.01) per share. All issued shares were fully paid.

Dividends

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

	Group and Company	
	2017	2016
	$'000	$'000
Paid by the Company to owners of the Company		
0.15 cents per ordinary share (2016: 0.35 cents), comprising a final dividend of 0.15 cents per ordinary share (2016: 0.15 cents) and a special dividend of Nil cents per ordinary share (2016: 0.20 cents)	859	1,981

14 Share capital (continued)

Ordinary shares (continued)

Dividends (continued)

After the respective reporting dates, tax exempt (one-tier) dividends are proposed by the directors but not recognised in the book until it is approved by shareholders at the forthcoming Annual General Meeting. These tax exempt (one-tier) dividends, based on the number of outstanding shares as at 31 December 2017 and 2016, are as follows.

	Group and Company	
	2017	**2016**
	$'000	**$'000**
0.18 cents per ordinary share (2016: 0.15 cents), comprising a final dividend of 0.15 cents per ordinary share (2016: 0.15 cents) and a special dividend of 0.03 cents per ordinary share (2016: Nil cents)	1,044	859

Capital management

The Group defines "capital" as including all components of equity.

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.

15 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.

16 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.

17 Treasury shares

Treasury shares comprises the cost of the Company's shares held by the Group. As at 31 December 2017, the Group held 1,638,000 of the Company's shares (2016: Nil).

18 Loans and borrowings

	Group and Company 2017 $'000	Group and Company 2016 $'000
Non-current liabilities		
Finance lease liabilities	100	–
Current liabilities		
Finance lease liabilities	19	–
Total loans and borrowings	119	–

Finance lease liabilities

Finance lease liabilities in 2017 were payable as follows:

	Future minimum lease payments 2017 $'000	Interest 2017 $'000	Principal 2017 $'000
Group and Company			
Within one year	22	3	19
Between one and five years	109	15	94
Over five years	7	1	6
	138	19	119

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					
2017					
Fixed rate finance leases	SGD	2.38%	2024	138	119

The Group's and the Company's exposure to liquidity and interest rate risks for loans and borrowings are disclosed in Note 28.

18 Loans and borrowings (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities	Equity				
	Finance lease liabilities	Share capital	Capital reserve	Treasury shares	Retained earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2017	–	26,130	6	–	32,205	58,341
Changes from financing cash flows						
Repayment of loans and borrowings	(12)	–	–	–	–	(12)
Dividends paid	–	–	–	–	(859)	(859)
Proceeds from exercise of warrants	–	124	(6)	–	–	118
Share buy-back	–	–	–	(118)	–	(118)
Interest paid	(2)	–	–	–	–	(2)
Total changes from financing cash flows	(14)	124	(6)	(118)	(859)	(873)
Other changes						
Liability-related						
New finance lease	131	–	–	–	–	131
Interest expense	2	–	–	–	–	2
Total liability-related other changes	133	–	–	–	–	133
Total equity-related other changes	–	–	–	–	2,167	2,167
Balance at 31 December 2017	119	26,254	–	(118)	33,513	59,768

19 Provision for restoration costs

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Balance at 1 January	320	304	320	304
Unwinding of discount	17	16	17	16
Balance at 31 December	337	320	337	320

The provision for restoration costs relates to costs for dismantling and removing of assets and restoring the leased premises to its original condition as required by the operating lease agreements.

20 Trade and other payables

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Trade payables	2,970	7,024	2,886	6,806
Amounts due to subsidiaries (trade)	–	–	751	3,481
Other payables and accruals	5,228	6,265	4,442	5,357
	8,198	13,289	8,079	15,644

The Group's and the Company's exposure to liquidity and foreign currency risks related to trade other payables are disclosed in Note 28.

21 Revenue

	Group	
	2017	2016
	$'000	$'000
Contract revenue	35,246	59,580
Rendering of services	38,322	34,761
	73,568	94,341

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 costs incurred.

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.

22 Other income

	Group	
	2017	2016
	$'000	$'000
Rental income	46	86
Gain on disposal of property, plant and equipment	127	122
Government grants and incentives	243	676
Income from sales of scrap materials	385	417
Others	200	205
	1,001	1,506

23 Finance income and finance costs

	Group 2017 $'000	Group 2016 $'000
Finance income		
Interest income	127	255
Finance costs		
Interest expense on loans and borrowings	(2)	(33)
Unwinding of discount on site restoration provision	(17)	(16)
	(19)	(49)

24 Profit before tax

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

	Group 2017 $'000	Group 2016 $'000
Staff costs	36,384	38,467
Contribution to defined contribution plans included in staff costs	1,221	1,422
Depreciation of property, plant and equipment	3,749	3,659
Amortisation of intangible asset	149	149
Operating lease expenses	565	600
Operating expenses arising from rental of investment properties	13	15
Audit fees paid to:		
- auditors of the Company	130	134
- other auditors	2	1
Non-audit fees paid to auditors of the Company	18	6
Net foreign exchange loss	32	7
Provision for foreseeable losses	2	–

25 Tax expense/(credit)

	Group 2017 $'000	Group 2016 $'000
Current tax expense/(credit)		
Current year	337	3
Changes in estimates related to prior years	–	(83)
	337	(80)
Deferred tax expense/(credit)		
Origination and reversal of temporary differences	149	(119)
Changes in estimates related to prior years	–	(3)
	149	(122)
Total tax expense/(credit)	486	(202)

Reconciliation of effective tax rate

	Group 2017 $'000	Group 2016 $'000
Profit before tax	2,653	2,419
Tax using the Singapore tax rate of 17% (2016: 17%)	451	411
Non-deductible expenses	199	76
Tax exempt income	(66)	(64)
Tax incentives	(148)	(515)
Changes in estimates related to prior years	–	(86)
Others	50	(24)
	486	(202)

26 Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2017 was based on the profit attributable to ordinary shareholders and a weighted-average number of ordinary shares outstanding less treasury shares as follows:

Profit attributable to ordinary shareholders

	Group 2017 $'000	Group 2016 $'000
Profit for the year	2,167	2,621

Weighted-average number of ordinary shares

	Number of shares $'000	Number of shares $'000
Issued ordinary shares at 1 January	569,793	563,672
Effect of warrants exercised	5,271	3,259
Effect of treasury shares	(153)	–
Weighted-average number of ordinary shares during the year	574,911	566,931

26 Earnings per share (continued)

Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2017 was based on the profit attributable to ordinary shareholders and a weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares as follows:

Profit attributable to ordinary shareholders (diluted)

	Group	
	2017	**2016**
	$'000	**$'000**
Profit for the year	2,167	2,621

Weighted-average number of ordinary shares (diluted)

	Number of shares	Number of shares
	$'000	**$'000**
Weighted average number of ordinary shares (basic)	574,911	566,931
Effect of warrants on issue	–	11,833
Weighted-average number of ordinary shares (diluted) during the year	574,911	578,764

The market value of the Company's shares for purposes of calculating the dilutive effect of warrants was based on the closing quoted market prices as at 31 December 2016.

27 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 Committee 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 Committee. Segment profit is used to measure performance as management believe that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

The segment information provided to the Group's Executive Committee for the reportable segments for the year ended 31 December 2017 and 2016 is as follows:

27 Operating segments (continued)

Business segments

	Mechanical $'000	Electrical, instrumentation and others $'000	Total $'000
2017			
External revenues	61,771	11,797	73,568
Inter-segment revenue	222	1,101	1,323
Total revenue	61,993	12,898	74,891
Interest income	16	111	127
Interest expenses	2	–	2
Depreciation of property, plant and equipment	3,439	310	3,749
Amortisation of intangible asset	149	–	149
Reportable segment profit before tax	(22)	2,642	2,620
Other material non-cash item:			
Net change in fair value of investment properties	–	(85)	(85)
Reportable segment assets	52,957	16,761	69,718
Capital expenditure	1,257	7	1,264
Reportable segment liabilities	8,607	915	9,522
2016			
External revenues	84,180	10,161	94,341
Inter-segment revenue	45	2,593	2,638
Total revenue	84,225	12,754	96,979
Interest income	55	200	255
Interest expenses	33	–	33
Depreciation of property, plant and equipment	3,277	382	3,659
Amortisation of intangible asset	149	–	149
Reportable segment profit before tax	26	2,322	2,348
Reportable segment assets	53,943	18,297	72,240
Capital expenditure	3,880	100	3,980
Reportable segment liabilities	12,717	1,158	13,875

27 Operating segments (continued)

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

	2017 $'000	2016 $'000
Revenues		
Total revenue for reportable segments	74,891	96,979
Elimination of inter-segment revenue	(1,323)	(2,638)
Consolidated revenue	73,568	94,341
Profit or loss		
Total profit or loss for reportable segments	2,620	2,348
Unallocated segment profits	33	71
Consolidated profit before tax	2,653	2,419
Assets		
Total assets for reportable segments	69,718	72,240
Investment properties	1,225	1,310
Consolidated total assets	70,943	73,550
Liabilities		
Total liabilities for reportable segments	9,522	13,875
Current tax payable	335	39
Deferred tax liabilities	1,435	1,286
Consolidated total liabilities	11,292	15,200

Major customers

During the financial year ended 31 December 2017, revenue from three major customers of the Group approximated $53,943,000 (2016: $65,915,000), representing 73% (2016: 70%) of the Group's total revenue. 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:

	2017 $'000	2016 $'000
Customer 1	28,304	31,345
Customer 2	14,871	22,158
Customer 3	10,768	12,412
	53,943	65,915

28 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 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 and contract work-in-progress

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group's three major customers accounts for $10,266,000 (2016: $26,873,000 of the carrying value of trade receivables and contract work-in-progress as at 31 December 2017. No significant credit risk exposure is expected based on historical data of payment statistics from these customers and the subsequent payouts received after the reporting date.

The Group's main customers are from the process industry which in turn, is dominated by a small number of big multinational players. Majority of these multi-national companies are key customers of the Group. The Group mitigates the market concentration 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.

Credit risk concentration profile

The Group assesses 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, contract work-in-progress and cash and cash equivalents represented the maximum exposure to credit risk in relation to its financial assets. The Group has no other financial assets which carry significant exposure to credit risk.

Management of credit risk

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

28 Financial risk management (continued)

Credit risk (continued)

Management of credit risk (continued)

- 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 loans and receivables (comprising loans and receivables, and contract work-in-progress due from customers) that were not impaired at the reporting date was:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Not past due	15,447	31,217	14,646	28,889
Past due 0-30 days	414	2,712	311	2,638
Past due 31-60 days	424	189	423	189
Past due more than 60 days	117	138	112	114
	16,402	34,256	15,492	31,830

The Group evaluates whether there is any objective evidence that loans and 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 loans and 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. 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.

28 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	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Group					
31 December 2017					
Non-derivative financial liabilities					
Loans and borrowings	119	138	22	109	7
Trade and other payables	8,198	8,198	–	–	–
	8,317	8,336	22	109	7
31 December 2016					
Non-derivative financial liabilities					
Trade and other payables	13,289	13,289	–	–	–
Company					
31 December 2017					
Non-derivative financial liabilities					
Loans and borrowings	119	138	22	109	7
Trade and other payables	8,079	8,079	–	–	–
	8,198	8,217	22	109	7
31 December 2016					
Non-derivative financial liabilities					
Trade and other payables	15,644	15,644	–	–	–

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.

28 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 currency in which these transactions primarily are denominated is the US dollar (USD).

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

	USD $'000
Group and Company	
2017	
Trade and other receivables	643
Cash and cash equivalents	624
Trade and other payables	(367)
Net exposure	900
2016	
Trade and other receivables	7
Cash and cash equivalents	215
Trade and other payables	(107)
Net exposure	115

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 2016.

	Group and Company Profit or loss $'000
2017	
USD	(90)
2016	
USD	(12)

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.

28 Financial risk management (continued)

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	
	2017	**2016**
	$'000	**$'000**
Group		
Fixed rate instruments		
Fixed deposits	27,297	8,805
Finance lease liabilities	(119)	–
	27,178	8,805
Company		
Fixed rate instruments		
Fixed deposits	15,000	–
Finance lease liabilities	(119)	–
	14,881	–

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.

28 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 statements 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 2017					
Trade and other receivables*	12	15,264	–	15,264	15,264
Due from customers on construction contracts	11	1,138	–	1,138	1,138
Cash and cash equivalents	13	35,648	–	35,648	35,648
		52,050	–	52,050	52,050
Finance lease liabilities	18	–	119	119	110
Trade and other payables	20	–	8,198	8,198	8,198
		–	8,317	8,317	8,308
31 December 2016					
Trade and other receivables*	12	21,849	–	21,849	21,849
Due from customers on construction contracts	11	12,407	–	12,407	12,407
Cash and cash equivalents	13	18,211	–	18,211	18,211
		52,467	–	52,467	52,467
Trade and other payables	20	–	13,289	13,289	13,289

* *Excludes prepayments.*

28 Financial risk management (continued)

Accounting classifications and fair values (continued)

Fair values versus carrying amounts (continued)

	Note	Loans and receivables $'000	Other financial liabilities within the scope of FRS 39 $'000	Total carrying amount $'000	Fair value $'000
Company					
31 December 2017					
Trade and other receivables*	12	14,536	–	14,536	14,536
Due from customers on construction contracts	11	956	–	956	956
Cash and cash equivalents	13	22,030	–	22,030	22,030
		37,522	–	37,522	37,522
Finance lease liabilities	18	–	119	119	110
Trade and other payables	20	–	8,079	8,079	8,079
		–	8,198	8,198	8,189
31 December 2016					
Trade and other receivables*	12	20,227	–	20,227	20,227
Due from customers on construction contracts	11	11,603	–	11,603	11,603
Cash and cash equivalents	13	5,725	–	5,725	5,725
		37,555	–	37,555	37,555
Trade and other payables	20	–	15,644	15,644	15,644

* *Excludes prepayments.*

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:

	2017 %	2016 %
Finance lease liabilities	2.38%	–

29 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 (except for other financial assets and liabilities in (c) above) are as follows:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group and Company				
31 December 2017				
Finance lease liabilities	–	110	–	110

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 and Company				
2017				
Non-financial assets measured at fair value				
Investment properties	–	1,225	–	1,225
2016				
Non-financial assets measured at fair value				
Investment properties	–	1,310	–	1,310

30 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 of the Company and significant subsidiaries are considered to be the key management personnel of the Group.

Key management personnel compensation included in staff costs comprises:

	Group	
	2017	**2016**
	$'000	**$'000**
Directors' fees	122	127
Directors' remunerations	686	691
	808	818

31 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**	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Within one year	477	514	474	494
Between one and five years	748	1,242	741	1,231
	1,225	1,756	1,215	1,725

The Group 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 Group 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.

Leases as lessor

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

	Group and Company	
	2017	**2016**
	$'000	**$'000**
Within one year	44	42
Between one and five years	16	11
	60	53

The Group sub-lets its investment properties under non-cancellable operating lease, which expires in 2018 and 2019 (2016: 2017 and 2018).

32 Full convergence with International Financial Reporting Standards and adoption of new standards

<u>Applicable to 2018 financial statements</u>

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) ("SFRS(I)"). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) at 31 December 2017 that are applicable for annual period beginning on 1 January 2018. Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

The Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I). As a result, this will be the last set of financial statements prepared under the current FRS.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of International Financial Reporting Standards (International)*.

In addition to the adoption of the new framework, the Group will also concurrently apply the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes amendments arising from IFRS 4 *Insurance Contracts* issued by the IASB in September 2016;
- Requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 – *Transfers of investment property* issued by the IASB in December 2016;
- Requirements in SFRS(I) 1 arising from the amendments to IFRS 1 – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

The Group does not expect the application of the above standards and interpretations to have a significant impact on the financial statements.

SFRS(I) 1

When the Group adopts SFRS(I) in 2018, the Group will apply SFRS(I) 1 with 1 January 2017 as the date of transition for the Group and the Company. SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective in 2018, restatement of comparatives may be required because SFRS(I) 1 requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. The Group does not expect the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 to have a significant impact on the financial statements.

SFRS(I) 15

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group plans to adopt SFRS(I) 15 in its financial statements for the year ending 31 December 2018, using the retrospective approach. As a result, the Group will apply all of the requirements of SFRS(I) 15 retrospectively, except as described below, and the comparative period presented in the 2018 financial statements will be restated.

The Group plans to use the practical expedients for completed contracts. This means that completed contracts that began and ended in the same comparative reporting period, as well as completed contracts at the beginning of the earliest period presented, are not restated.

32 Full convergence with International Financial Reporting Standards and adoption of new standards (continued)

Applicable to 2018 financial statements (continued)

SFRS(I) 15 (continued)

The expected impact upon the adoption of SFRS(I) 15 are described below. The information below reflects the Group's expectations of the tax implications arising from the changes in accounting treatment. Tax effects may change when the transition adjustments are finalised.

(a) Timing of revenue and cost recognition

The Group currently recognises revenue from long-term contracts using the stage of completion method, provided the outcome of the contract can be reliably estimated. Under SFRS(I) 15, the Group expects most of its long-term contracts to constitute a single performance obligation, due to the inter-dependence of services provided in these contracts.

The Group does not have an alternative use for the specialised assets which are built to customer order.

When the Group has an enforceable right to payment for performance completed to date or where the Group's performance creates or enhances an asset that the customer controls as the asset is being created or enhanced, the Group expects to continue to recognise revenue on these long-term contracts over time. The costs associated to fulfil the performance obligation are expensed as control of goods or services is transferred to the customer over time.

When the right to payment for performance completed to date cannot be enforced due to non-enforceability of right to payment for performance completed to date, the revenue and related costs of sales are recognised only when the constructed assets are delivered to customers or services are rendered and acceptance form has been acknowledged by the customer.

Based on its assessment, the Group does not expect a significant change to its current practice on timing of revenue and cost recognition upon the adoption of SFRS(I) 15.

(b) Contract modifications and variable considerations

Prior to the adoption of SFRS(I) 15, 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 a claim or variation is recognised, the measure of contract progress or contract price is revised and the cumulative contract position is reassessed at each reporting date.

Upon the adoption of SFRS(I) 15, claims and variations would be considered as contract modifications, and will be included within contract accounting when they are approved. This is because any contract modification is not likely to result in a separate contract, as the services within a long term contract are integrated.

Where there is variable consideration, the Group estimates the amount only to the extent that it is highly probable that a significant reversal of the amount will not occur in the future. This amount is included in the transaction price.

Based on its assessment, the Group does not expect a significant change to its current practice on contract modifications and variable considerations upon the adoption of SFRS(I) 15.

SFRS(I) 9

SFRS(I) 9 contains new requirements for classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements.

Changes in accounting policies resulting from the adoption of SFRS(I) 9 will generally be applied by the Group retrospectively, except as described below.

- The Group plans to take advantage of the exemption in SFRS(I) 1 allowing it not to restate comparative information in the 2018 SFRS(I) financial statements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in retained earnings and reserves as at 1 January 2018.

32 Full convergence with International Financial Reporting Standards and adoption of new standards (continued)

Applicable to 2018 financial statements (continued)

SFRS(I) 9 (continued)

- The following assessments have to be made on the basis of facts and circumstances that existed at 1 January 2018.
  - The determination of the business model within which a financial asset is held.
  - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.
  - The designation of an investment in equity instruments that is not held for trading as at fair value through other comprehensive income (FVOCI).
  - The designation and revocation of previous designations of certain financial assets and financial liabilities measured at fair value through profit or loss (FVTPL).

The expected impact on adoption of SFRS(I) 9 are described below. The information below reflects the Group's expectation of the implications arising from changes in the accounting treatment, however, the actual tax effect may change when the transition adjustments are finalised.

(a) Classification and measurement: financial assets and liabilities

SFRS(I) 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL and replaces the existing FRS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Classification under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 largely retains the existing requirements in FRS 39 for the classification of financial liabilities.

The Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model.

(b) Impairment

SFRS(I) 9 replaces the current 'incurred loss' model with a forward-looking expected credit loss (ECL) model. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and certain loan commitments and financial guarantee contracts.

Under SFRS(I) 9, loss allowances of the Group will be measured on either of the following bases:
- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; or
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group plans to apply the simplified approach and record lifetime ECL on all trade receivables and any contract assets arising from the application of SFRS(I) 15. The Group does not expect a significant increase in impairment for trade and other receivables as at 1 January 2018.

The Group is currently finalising the testing of its expected credit loss model and the quantum of the final transition adjustments may differ upon finalisation.

Applicable to financial statements for the year 2019 and thereafter

The following new SFRS(I), amendments to and interpretations of SFRS(I) are effective for annual periods beginning after 1 January 2018:

Applicable to 2019 financial statements
- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)

The Group is still in the process of assessing the impact of the new SFRS(I)s, amendments to and interpretations of SFRS(I)s on the financial statements. The Group's preliminary assessment of SFRS(I) 16, which is expected to have a more significant impact on the Group, is as described below.

32 Full convergence with International Financial Reporting Standards and adoption of new standards (continued)

Applicable to financial statements for the year 2019 and thereafter (continued)

SFRS(I) 16

SFRS(I) 16 replaces existing lease accounting guidance. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if SFRS(I) 15 is also applied. SFRS(I) 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The Group plans to adopt the standard when it becomes effective in 2019 and expects to apply the standard using the modified retrospective approach. The Group also expects the ROU assets recognised at date of initial application to be equal to their lease liabilities.

The Group is likely to elect the practical expedient not to reassess whether a contract contains a lease at the date of initial application, 1 January 2019. Accordingly, existing lease contracts that are still effective on 1 January 2019 continue to be accounted for as lease contracts under SFRS(I) 16. The Group has performed a preliminary assessment of the impact on its financial statements based on its existing operating lease arrangements (refer to Note 31).

Until 2018, the approximate financial impact of the standard is unknown due to factors that impact calculation of lease liabilities such as discount rate, expected term of leases including renewal options and exemptions for short-term leases. The Group will continue to assess its portfolio of leases to calculate the impending impact of transition to the new standard.

(a) The Group as lessee

The Group expects its existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16. The operating lease commitments on an undiscounted basis amount to approximately 2% of the consolidated total assets and 11% of consolidated total liabilities. Under the new standard, remaining lease payments of the operating leases will be recognised at their present value discounted using appropriate discount rate. In addition, the nature of expenses related to those leases will now change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of ROU assets and interest expense on lease liabilities.

(b) The Group as lessor

SFRS(I) 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively. However, SFRS(I) 16 requires more extensive disclosures to be provided by a lessor.

33 Contingencies

On 21 April 2017, the Company received a letter seeking recovery of the sum of $488,000 in relation to compensation paid by an insurance company to the employees of their customers pursuant to the Work Injury Compensation Act, and arising out of a fire accident that occurred at a client's site in August 2015.

Based on the advice of the Company's lawyers, there are reasonable grounds and basis for the Company to resist and defend the claim from the insurance company. Accordingly, no provision was recognised in the financial statements.

STATISTICS OF SHAREHOLDINGS

As at 5th March 2018

TOTAL NUMBER OF ISSUED SHARES	:	581,546,400
TOTAL NUMBER OF ISSUED SHARES EXCLUDING TREASURY SHARES AND SHARES HELD BY A SUBSIDIARY (IF ANY)	:	579,508,400
TOTAL NUMBER AND PERCENTAGE OF TREASURY SHARES	:	2,038,000 (0.35%)
TOTAL NUMBER AND PERCENTAGE OF SHARES HELD BY A SUBSIDIARY	:	NIL
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

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	222	15.66	2,371	0.00
100 - 1,000	192	13.54	183,586	0.03
1,001 - 10,000	279	19.68	1,720,409	0.30
10,001 - 1,000,000	700	49.36	74,086,163	12.78
1,000,001 and above	25	1.76	503,515,871	86.89
Total	1,418	100.00	579,508,400	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CHENG WOEI FEN	278,997,600	48.14
2	QUEK KIAN HUI (GUO JIANHUI)	86,376,800	14.91
3	QUEK KIAN TECK GABRIEL	33,516,000	5.78
4	PHILLIP SECURITIES PTE LTD	19,019,015	3.28
5	OCBC SECURITIES PRIVATE LIMITED	11,516,900	1.99
6	UOB KAY HIAN PRIVATE LIMITED	9,618,000	1.66
7	SINGAPORE WAREHOUSE CO PTE LTD	9,400,000	1.62
8	LIN YAN	7,266,000	1.25
9	GLOBAL TRADE INVESTMENT MANAGEMENT PTE LTD	7,095,000	1.22
10	DBS NOMINEES (PRIVATE) LIMITED	5,196,646	0.90
11	GOH HENG CHEW	4,500,000	0.78
12	NG HIAN CHOW	3,888,000	0.67
13	MAYBANK KIM ENG SECURITIES PTE. LTD.	3,401,910	0.59
14	KOH SER KIONG	3,275,000	0.57
15	LIU WENYING	2,700,000	0.47
16	QUEK KENG SIONG	2,651,400	0.46
17	CHEN ENG SHEE	2,000,000	0.35
18	KHOO SWEE JIN	2,000,000	0.35
19	TAY HWA LANG	1,870,000	0.32
20	TAN HAI PENG MICHAEL	1,800,000	0.31
		496,088,271	85.62

RULE 723 COMPLIANCE

Based on the information available to the Company as at 5 March 2018, approximately 29.43% of the issued ordinary shares of the Company is held by the public. Hence, it is in compliance with Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Limited.

SUBSTANTIAL SHAREHOLDERS

	NO. OF SHARES Direct Interest	%	NO. OF SHARES Deemed Interest	%
CHENG WOEI FEN*	278,997,600	48.14	36,167,400	6.24
QUEK KIAN TECK GABRIEL	33,516,000	5.78	0	0.00
QUEK KIAN HUI	86,376,800	14.91	0	0.00

* **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.

TREASURY SHARES

As at 5 March 2018, the Company held 2,038,000 treasury shares, representing 0.35% of the total issued shares excluding treasury shares

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of MUN SIONG ENGINEERING LIMITED (the "Company") will be held in Darjeelin Board Room, 4th Floor, Trade Association Hub, 9 Jurong Town Hall Road, Jurong Town Hall, Singapore 609431 on Thursday, 20th April 2018 at 3.00 pm, for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the audited financial statements for the financial year ended 31 December 2017 and the statement by the Directors and report of the Auditors thereon. **[Resolution 1]**

2. To re-elect the following Directors retiring pursuant to the Constitution of the Company:
   i) Cheng Woei Fen (Regulation 98) **[Resolution 2]**
   [See Explanatory Note 1]
   ii) Peter Sim Swee Yam (Regulation 98) **[Resolution 3]**
   [See Explanatory Note 2]

3. To declare a first and final dividend of 0.15 cents per ordinary share tax-exempt (one-tier) and a special dividend of 0.03 cents per ordinary share tax-exempt (one-tier) for the financial year ended 31 December 2017. **[Resolution 4]**

4. To approve Directors' fees of up to S$122,000 for the financial year ending 31 December 2018 to be payable quarterly in arrears (2017: S$122,000). **[Resolution 5]**

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

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

SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without amendments the following Ordinary Resolutions.

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

   "That, pursuant to Section 161 of the Companies Act, Cap. 50 ("Companies Act") authority be and is hereby given to the Directors of the Company to:

   (i) (a) issue shares of the Company whether by way of rights, bonus or otherwise;
   (b) 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/or
   (c) 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;

   (ii) (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; and

   (iii) complete and do all such acts and things, including without limitation, executing all such documents and approving any amendments, alterations or modifications to any documents as they may consider necessary, desirable or expedient to give effect to this Resolution.

   provided that:

   (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution by way of renounceable rights issues on a pro rata basis ("Renounceable Rights Issues") shall not exceed 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below; and otherwise than by way of Renounceable Rights Issues ("Other Share Issues") shall not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation and adjustment as may be prescribed by the Singapore Exchange Securities Trading Limited ("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) of the Company at the time this Resolution is passed, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;
(b) (where applicable) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed, provided that the options or awards were granted in compliance with the Listing Manual of the SGX-ST; and
(c) 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 Constitution 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 to be 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]

8. Proposed renewal of the share purchase mandate **[Resolution 8]**

"That:

(i) for the purposes of the Companies Act, the Constitution of the Company and the Listing Manual of the SGX-ST, the Directors of the Company be and are hereby authorised to make purchases or otherwise acquire issued shares in the capital of the Company from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to 10% of the total number of issued shares (excluding treasury shares) of the Company (as ascertained as at the date of Annual General Meeting of the Company), unless the Company has, at any time during the period commencing from the date of which this Resolution is passed and expiring on the date the next Annual General Meeting of the Company is held or is required by law to be held, whichever is earlier, after the date of this Resolution is passed, effected a reduction of its share capital in accordance with the applicable provisions under the Companies Act or a share consolidation, in which event the total number of issued shares of the Company shall be taken to be the total number of shares of the Company as altered by the capital reduction or the share consolidation, at the price of up to but not exceeding the Maximum Price as defined under paragraph 2.3.4 of the Addendum, and this mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the date on which the next Annual General Meeting of the Company is held or required by law to be held, whichever is earlier, or the date on which the purchases or acquisitions of shares pursuant to the share purchase mandate are carried out to the full extent mandated, whichever is earlier; and

(ii) the Directors of the Company and/or any of them be and is hereby authorised to complete and do all such acts and things (including dealing with the shares purchased by the Company, entering into all transactions, arrangements and agreements and executing such documents as may be required) as they and/or he may consider necessary, desirable or expedient to give effect to this Resolution.
[See Explanatory Note 4]

By Order of the Board

Yeo Sheok Yeow Johnny
Leong Chee Meng Kenneth
Company Secretaries
Singapore, 26 March 2018

Explanatory Notes:

1 **Cheng Woei Fen**, if re-elected, will remain as the Executive Chairlady.

2 **Peter Sim Swee Yam**, if re-elected, will remain as the Chairman of the Remuneration Committee and a member of both the Audit and Nominating Committees, and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

3. **Resolution 7**, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting ("AGM") of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding (i) 100% for Renounceable Rights Issues and (ii) 50% for Other Shares Issues, of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

   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 Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

   The authority for the 100% Renounceable Rights Issues is proposed pursuant to SGX-ST Practice Note 8.3 which became effective on 13 March 2017 until 31 December 2018 by which date the shares issued pursuant to the Renounceable Rights Issue must be listed ("the Enhanced Rights Issue Limit"). The Enhanced Rights Issue Limit is aimed at helping companies raise funds expediently for expansion activities or working capital. It is subject to the condition that the Company complies with applicable legal requirements including but not limited to provisions in the Companies Act requiring the Company to seek shareholders' approval, disclosure requirements on the use of the proceeds as and when the funds are materially disbursed and a status report on the use of proceeds in the annual report; and limitations in any existing mandate from shareholders.

   The Board considers it desirable to have the flexibility to respond to market developments and is of the view that the Enhanced Rights Issue Limit is in the interests of the Company and its shareholders as it provides the Directors of the Company with an opportunity to raise funds expediently and reducing the time taken for shareholders' approval in the event the need arises. Minority shareholders' interests are mitigated as all shareholders have equal opportunities to participate and can dispose their entitlements through trading of nil-paid rights if they do not wish to subscribe for their rights shares.

   There are no limitations in the existing mandate from shareholders.

   The Enhanced Rights Issue Limit will be exercised only if the Directors believe that to do so would be likely to promote the success of the Company for the benefit of shareholders as a whole.

4. **Resolution 8** is to renew the mandate to enable the Directors of the Company to purchase or otherwise acquire shares on the terms and subject to the conditions of this Resolution which was first approved by the shareholders on 20 April 2016. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of shares by the Company pursuant to the proposed renewal of the share purchase mandate on the audited financial statements for the financial year ended 31 December 2017 are set out in greater detail in the Addendum despatched together with the Annual Report 2017.

Notes:

(a) A member who is not a relevant intermediary may appoint not more than two proxies to attend, speak and vote in his stead at the Annual General Meeting of the Company (the "Meeting"). Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy in the form of proxy. A proxy need not be a member of the Company.

(b) A member who is a relevant intermediary is entitled to appoint one or more proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Relevant intermediary has the meaning ascribed to it in Section 181 of the Companies Act.

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

(d) 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 72 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 Annual General Meeting of the Company (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, administration and analysis 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, proxy 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.

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MUN SIONG ENGINEERING LIMITED

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

Proxy Form

IMPORTANT

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see Note 3 for the definition of "relevant intermediary").
2. For investors who have used their CPF and/or SRS monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or is purported to be used by them.
3. Please read the notes to the 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 (%)

as *my/our proxy/proxies to attend and to vote for *me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held in Darjeelin Board Room, 4th Floor, Trade Association Hub, 9 Jurong Town Hall Road, Jurong Town Hall, Singapore 609431 on Thursday, 20 April 2018 at 3.00 pm, 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 Meeting indicated hereunder. If no specific directions as to voting on the Resolutions are given, the proxy/proxies may vote or abstain from voting at *his/her/their discretion and any other matters arising at the Meeting.

Note: Please indicate with an "**X**" or number of votes 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/she/they may think fit.

No.	Description of Resolutions	For	Against
1	Adoption of audited financial statements for the financial year ended 31 December 2017 and the statement by Directors and report of the Auditors thereon.		
2	Re-election of Cheng Woei Fen as a Director		
3	Re-election of Peter Sim Swee Yam as a Director		
4	First and Final, and Special Dividends		
5	Approval of Directors' fees for financial year ending 31 December 2018		
6	Re-appointment of Messrs KPMG LLP as Auditors		
7	Authority to allot and issue shares and convertible securities		
8	Proposed renewal of the Share Purchase Mandate		

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

Dated this ________ day of ____________________ 2018

Total Number of Shares Held

____

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

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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 81SF of the Securities and Futures Act, Cap. 289), 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 who is not a relevant intermediary may appoint not more than two proxies to attend, speak and vote on his behalf at the Meeting. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy in the form of proxy. A proxy need not be a member of the Company.

3. Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Relevant intermediary is either:

   (i) a banking corporation licensed under the Banking Act (Cap. 19)or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

   (ii) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or

   (iii) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

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MUN SIONG ENGINEERING LIMITED
35 TUAS ROAD
JURONG TOWN
SINGAPORE 638496

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4. 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 72 hours before the time appointed for the Meeting.

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 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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 26 March 2018.

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CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Cheng Woei Fen
Executive Chairlady

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 Kian Hui
Executive Director

John L. Parkinson
Technical Director

Lin Yan
Senior Director

Teo Kheng Hock
Specialised Services Director

Wei Qian
Maintenance Director

William M. Watson
Maintenance cum Service Excellence Director

Yeo Sheok Yeow Johnny
Finance Director

COMPANY SECRETARIES

Yeo Sheok Yeow Johnny, FCA

Leong Chee Meng Kenneth, CA

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

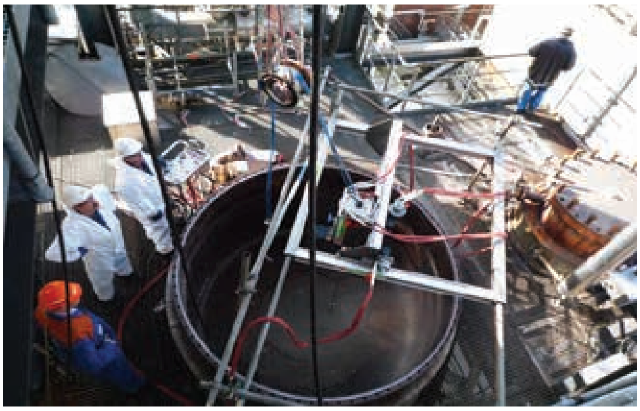
Oversea-Chinese Banking Corporation Limited
65 Chulia Street
#01-01 OCBC Centre
Singapore 049513

CIMB Bank Berhad
50 Raffles Place #09-01
Singapore Land Tower
Singapore 048623

Credit Suisse AG
1 Raffles Link #05-02
One Raffles Link
Singapore 039393

AUDITORS

KPMG LLP
Public Accountants & Certified Public Accountants
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581
(Engagement partner since financial year ended 31 December 2014:
Ms Tan Yek Lee Doreen)



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