文祥 MUN SIONG ENGINEERING LIMITED

# CELEBRATING OUR PAST INSPIRING OUR FUTURE

ANNUAL REPORT 2018

# CONTENTS



## MISSION

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

## 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.

# CORPORATE PROFILE

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

## CORE VALUES

Safety
Quality
Customer Focus
Leadership
Teamwork

# CORPORATE ROADMAP

## 1969

- Incorporated Mun Siong Engineering Pte Ltd

## 1980

- Expanded overseas to execute projects 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 strengthen 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 Limited re-structured Senior Management Team & embarked on the Journey for modernisation

## 2017

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

## 2018

- Integrated OHM Engineering Pte Ltd into Mun Siong Engineering Limited. This integration will better streamline our operations

# CORPORATE STRUCTURE

**MUN SIONG ENGINEERING LIMITED**

- **OHM ENGINEERING PTE LTD**
  (Subsidiary of Mun Siong Engineering Limited)
- **PEGASUS ADVANCE ENGINEERING PTE LTD**
  (Subsidiary of Mun Siong Engineering Limited)
  - **PEGASUS ADVANCE ENGINEERING LLP**
    (Subsidiary of Mun Siong Engineering Limited)
    *currently being liquidated
  - **PEGASUS ADVANCE ENGINEERING CO., LTD**
    (Subsidiary of Mun Siong Engineering Limited)
- **MUN SIONG ENGINEERING SDN BHD**
  (Subsidiary of Mun Siong Engineering Limited)

# OUR PARTNERS

## MECHANICAL ENGINEERING

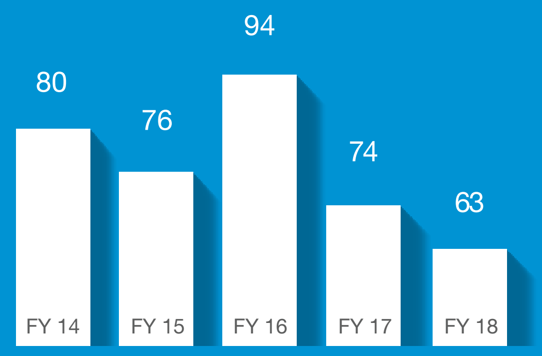
- Fabrication and Erection of Steel Structures; Fixed Equipment and Piping work
- Plant Shut-down / Turnaround Management
- Construction & Maintenance of Storage Tanks
- Exchanger Re-tubing
- Tube Shooting Services for Heat Exchangers (Conco Systems)
- On-site Flange Re-facing
- Ultra-high Pressure Abrasives 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 Insulation and Painting Services
- Trenchless Pressure Pipeline Rehabilitation (Primus Line)
- Servicing of Pumps (Waterous)

## ELECTRICAL & INSTRUMENTATION

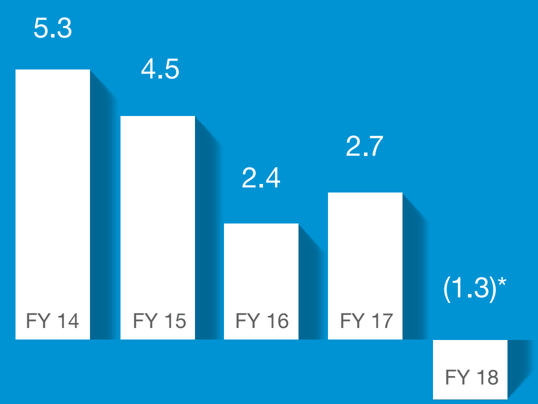
- Transformers, Switchgears and Control Panel Installation and Maintenance
- Electrical and Instrumentation Installation and Maintenance
- Calibration and Testing of Instruments
- Loop Check, Testing and Pre-Commissioning
- Excavation and Cable Laying
- Design and Fabrication of Instrumentation and Control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

# GROUP FINANCIAL HIGHLIGHTS

## GROUP REVENUE S$ (M)

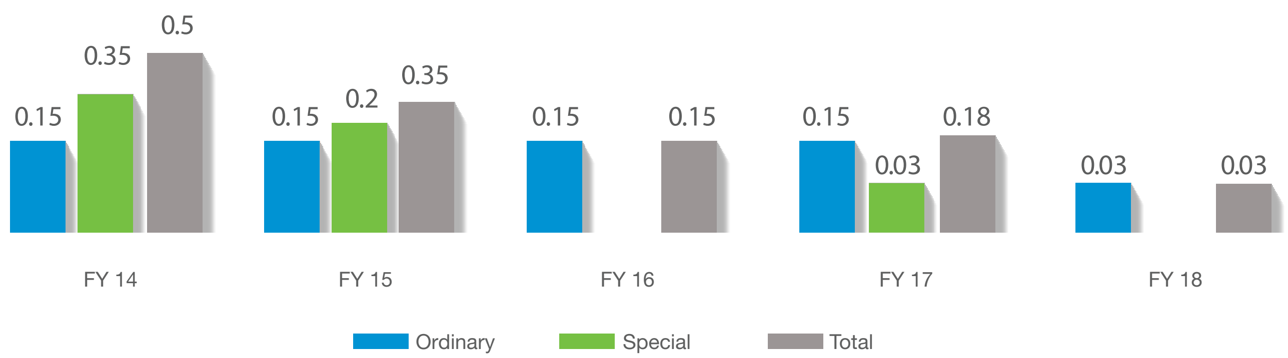



## GROUP PROFIT / (LOSS) BEFORE TAX S$ (M)

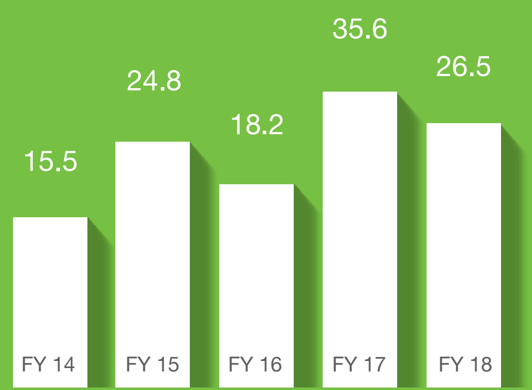



*exclude impairments and one off losses/expenses

## DIVIDEND RATE PER SHARE (CENTS)




## GROUP CASH AND CASH EQUIVALENTS S$ (M)




## FINANCIAL CALENDAR 2019 (Tentative Dates)

| | |
|---|---|
| 21 February 2019 | Announcement of FY2018 Results |
| 23 April 2019 | Annual General Meeting for 2018 |
| 9 May 2019 | Announcement of 1Q2019 Results |
| 6 August 2019 | Announcement of 2Q2019 Results |
| 8 November 2019 | Announcement of 3Q2019 Results |

# EXECUTIVE CHAIRLADY'S MESSAGE

**Dear Shareholders, Business Partners, Colleagues and Friends,**

**The "Perfect Storm"**

The strong winds and high waves witnessed in FY2018 did not come as a surprise to Mun Siong Engineering and its subsidiaries (the "Group").

Since 2015, through our results announcements and our Annual Reports, we have warned and prepared ourselves for the imminent arrival of the "perfect storm" - one that would re-shape the entire "playing field". What we saw were:

- warnings of imminent increases of key interest rates by major central banks;
- volatility and downward trends in oil prices which have direct correlation to investments and capital expenditures by key players in the process industry;
- Singapore government policies to reduce dependencies on foreign manpower over time; and
- escalation of operating costs.

During our past Annual General Meetings, numerous shareholders had raised concerns on our declining revenue and offered their suggestions (e.g. acquisition of business, increasing sales team etc) to increase revenue and profitability of the Group. Looking back, our cautious approach was the right step.

Many service providers, serving the upstream and downstream of the process industry, were in euphoria over the continuous strong volume of work coming into the market due to the uptrend in crude oil prices. Easy and ready availability of capital or funding lured many to undertake ambitious investments into expanding capacity and high value acquisitions.

The swift and sudden downturn in crude oil prices changed the entire landscape of the oil and gas industry. As the downturn in crude oil prices persisted, long term contracts previously awarded to service providers were either deferred, cancelled or re-negotiated at substantially lower prices. This adversely affected profitability and cash flows. Excess capacity quickly and permanently diminished the carrying values of many operating assets (including businesses) in the balance sheets. Some of these companies are seeking debt refinancing, undergoing restructuring or seeking fresh funds from new investors. These shareholders have seen their value being eroded significantly.

# EXECUTIVE CHAIRLADY'S MESSAGE

### Riding through the "Perfect Storm"

**Since FY2015 (both on a quarterly and annual basis) the Group was able to report positive gross profit margins**

The Group strengthened its costing methodology – identified potential challenges that may arise and factored them into our pricing and execution time line. We value our working relationships with our business partners, hence, relentless efforts were made to explain the basis of our pricing and execution time line to our partners.

### Managing Human Resource

Direct employed workforce forms a substantial portion of our operating costs. Employment of foreign manpower, which forms a substantial portion of our direct employed workforce, is regulated by government policies. These policies are aimed at reducing dependencies on foreign manpower in the long term. To achieve this objective, levies and restrictions are placed on the number of foreigners that each firm employed.

In recent years, with the decline in our revenue and increases in levies, productivity and work efficiency from our direct employed workforce is critical in achieving profitability. Maintenance works, which contributes to a major portion of our revenue and work undertaken, are scheduled by our business partners. In the event that one or more of our business partners were to schedule major maintenance works (such as shut downs or Turnarounds) close to or around the same time, surge in manpower demand would be unavoidable. To meet this surge, we have to rely on subcontractors – which are costly compared to our direct employed workforce. In recent times, the Group has been working closely with our business partners in undertaking their major maintenance works according to our available work force to ensure delivery of quality work within the agreed schedule time.

### Managing Our Balance Sheet

Consistently, the Group has been able to maintain strong positive working capital. This has resulted in the Group's ability to take advantage of rising interest rates to generate an interest income of $0.4 million in FY2018 as compared to $0.1 million in FY2017.

As at balance sheet date, the Group has no amounts due to financial institutions other than hire purchase financing - $0.1 million. Shareholder's funds as at 31 December 2018 was $54.8 million of which $26.5 million was cash and cash equivalents.

### Our Financial Performance

FY2018, we achieved a revenue of $62.9 million – decline of $10.7 million or 14.5 per cent – compared to $73.6 million in FY2017. The decline in revenue was due to lower number, and lower dollar value projects and jobs in view of the continued weak market conditions, and our prudent strategy of only undertaking projects and jobs that yield positive or neutral gross profit margins. Gross profit in FY2018 was $3.5 million – a decline of $4.0 million or 53.6 per cent as compared to FY2017 (which was $7.5 million). Gross profit margins also declined from 10.2 per cent in FY2017 to 5.5 per cent in FY2018.

Consequently, the Group suffered a loss before taxation of $3.5 million for FY2018 as compared to a profit before taxation of $2.7 million in FY2017. Contributing to the losses were non-cash impairments (goodwill and intangible asset) and one off losses/expenses on liquidation of a subsidiary and professional fees relating to the proposed joint venture in North America. Adjusting for non-cash impairments and one off losses/expenses, the losses before taxation was $1.3 million.

The Group achieved a positive EBITDA (Earnings Before Interest, Taxation, Depreciation and Amortisation and the above one off losses/ expenses) of $1.8 million in FY2018 as compared to $6.6 million in FY2017.

### Riding the "Perfect Storm"

The process industry in Singapore is dominated by a small number of prominent global players. In order to avoid over-dependencies on a single or small group of business partners, the Group has to look beyond Singapore.

The Group believes that its experience and know-how that it has garnered over the last five decades provides a value proposition to many service providers in the region. In recent months, together with a partner in the region, we have submitted a bid for a long-term Maintenance contract.

In view of the intense competition amongst the companies in the local market, the Group has decided to venture abroad. The North American market comprises of regional and national players. This allows service providers like us to have greater latitude to negotiate prices and access to a wider spectrum of business partners – refineries, petrochemical, and utilities.

On 29 January 2019, the Group announced that it is in advanced discussions to enter into a joint venture with an owner of a group of companies that provides services to the energy market. Their key competencies are similar to those of the Group and will enable us to have quicker access to the US market. On 21 March 2019, the Group further announced the completion of the external due diligence with the findings being tabled to the Board of Directors. We have commenced preparation on the necessary legal documentation for this investment. This investment will be funded by our cash reserve and will be conditional on obtaining the necessary regulatory and shareholder's approval.

We foresee the difficult market conditions to persist and not relent in FY2019. The market will undergo further consolidations. Many of our business partners would be looking towards strengthening and furthering their business relationships with service providers that have shown resilience (execution capabilities and financial strength) in riding through this "storm". This would put our Group in an advantageous position.

## Dividend

The Group's prudent management of its retained earnings has allowed it to substantially fund all its capital expenditure and the proposed business expansions into the North America market.

35 Tuas Road (which houses our entire operation) is leased from Jurong Town Corporation. The lease is due to expire in 2020. Discussions with Jurong Town Corporation has been on-going for the past four years. To secure a new lease from Jurong Town Corporation, substantial investments and certain upfront payments will have to be made. The Group will likely have to rely on external funding for this.

The Board of Directors notes the importance of dividends as a major source of returns to shareholders. For FY2018, the Board of Directors will be recommending to shareholders, for their approval at the upcoming Annual General Meeting, a final exempt (one tier) dividend of 0.03 cents per share – regretfully this is lower than the 0.18 cents per share paid in FY2017. As the Company has suffered a loss in FY2018, the dividends (when approved by shareholders) will be paid from retained earnings (accumulated profits). This is unlike previous financial years where dividends were paid from profits generated during the financial year.

The Board of Directors will review our operating cash flows periodically and when possible make adjustments to the dividend policy.

## Sustainability

The Group recognised 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 2nd Sustainability Report. Please refer to our website at www.mun-siong.com for the report which will be out on 4 April 2019.

## Appreciation

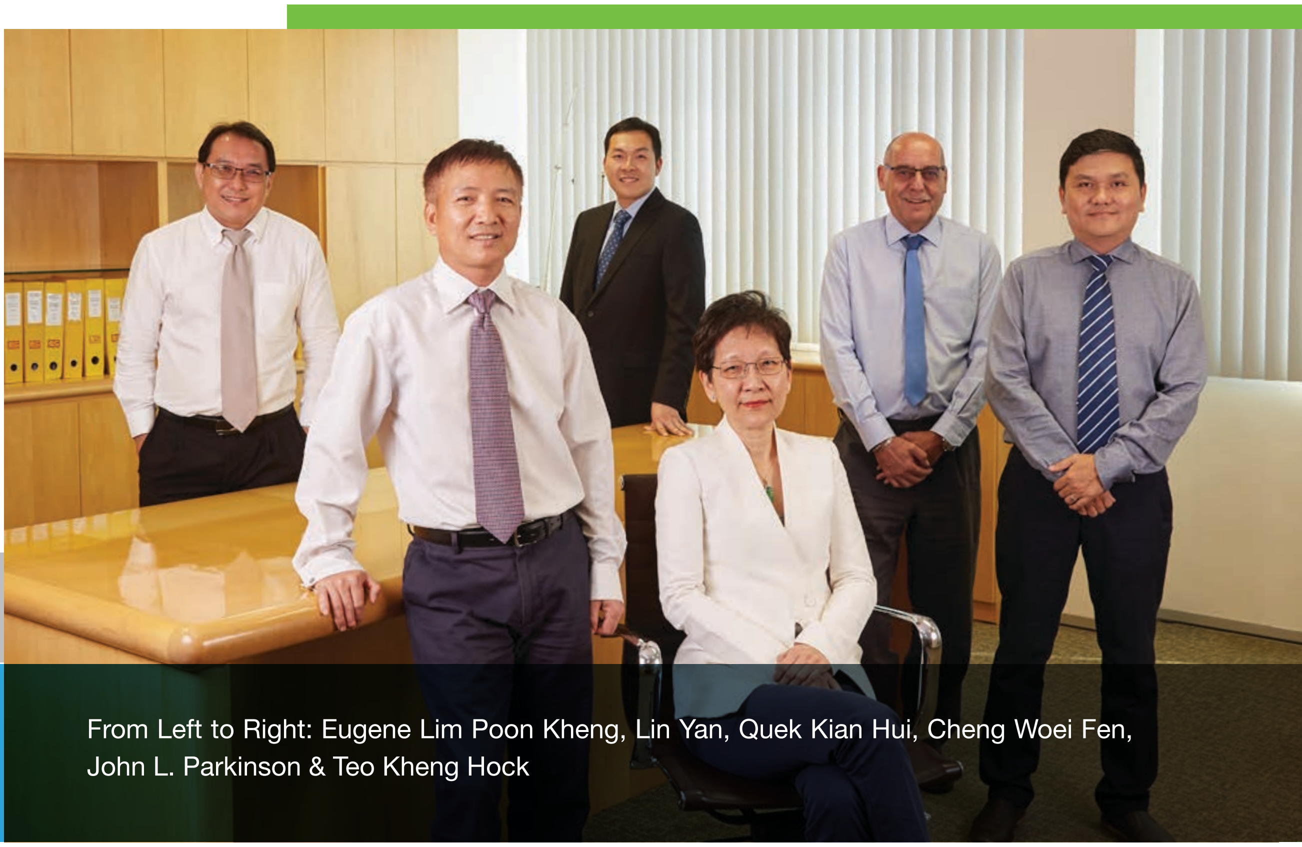
I would like to thank our Board of Directors for their valuable contributions and guidance throughout the year. I would also like to thank the Management and their dedication, hard work and commitment. Last but not least, I am extremely grateful to you, our Shareholders and Business Partners, for standing steadfast with us amidst the challenging and uncertain times and look forward to your continued support.

**Cheng Woei Fen**
*Executive Chairlady*

# BOARD OF DIRECTORS

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

# EXECUTIVE COMMITTEE



From Left to Right: Eugene Lim Poon Kheng, Lin Yan, Quek Kian Hui, Cheng Woei Fen, John L. Parkinson & Teo Kheng Hock

# BOARD OF DIRECTORS
# PROFILE

**Cheng Woei Fen - Executive Chairlady**
Ms Cheng was first appointed to the Board on 31 October 1981 and last re-elected as a director on 20 April 2018. She spearheaded the acquisitions of the Group's subsidiaries and is responsible for the effective integration and alignment of the Group's business strategy as well as the development of the Group's business. She also chairs the Executive Committee.

Ms Cheng holds a degree in Business Administration from the then Singapore University. She is the 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 16 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 perform 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 on 11 October 2010 and last re-elected as a director on 20 April 2018. 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, 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 been involved in various areas of practice, including criminal and civil litigation, family law and arbitration.

Dr Lau currently sits on the Board of Ryobi Kiso Holdings Ltd as an independent director. 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 Code of Corporate Governance 2012 (the "2012 Code").

To heighten awareness on conflicts of interest that may arise 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 2018 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;

- Identifying the key stakeholder groups and recognising 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;

- Considering 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

- Reviewing and endorsing 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 "Board Committees"). Information on each of the Board Committees is set out below. The Board accepts that while these Board 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 Board 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 | 7 | 7 | NA | 4 | 4# | NA | 1 | 1# | NA | 1 | 1# |
| Quek Kian Hui | M | 7 | 6 | NA | 4 | 3# | NA | 1 | 1# | NA | 1 | 1# |
| Non-Executive Directors | | | | | | | | | | | | |
| David Tan Chao Hsiung | M | 7 | 7 | C | 4 | 4 | M | 1 | 1 | M | 1 | 1 |
| Peter Sim Swee Yam | M | 7 | 7 | M | 4 | 4 | M | 1 | 1 | C | 1 | 1 |
| Lau Teik Soon | M | 7 | 7 | M | 4 | 4 | C | 1 | 1 | M | 1 | 1 |

***C: Chairman; M: Member***
*# By invitation*

No new director was appointed in the financial year ended 31 December 2018. 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. If a new Director has no prior experience as a director of a listed company, the Company will endeavor to arrange for training appropriate to the level of his prior experience in areas such as accounting, legal and industry knowledge.

The Company will also conduct an orientation programme for new directors to familiarise themselves 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 and the External Auditors 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.

The Board Committees are chaired by the non-executive and independent directors and comprise wholly of the non-executive and independent directors.

A description of the background of each director is presented in the "Board of Directors Profile" 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. There is a strong independent element on the Board as all three non-executive and independent directors collectively comprise more than fifty percent (50%) of the Board of Directors. This composition complies with the 2012 Code's requirements that at least half of the Board should be made up of independent directors.

The Board also has one female director in recognition of the importance and value of gender diversity.

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. The non-executive and independent directors and their immediate family members have no relationship with the Company, its related corporations, its 10% shareholders or its officers. None of the non-executive and independent directors have received payments in excess of $200,000 from a 10% shareholder.

The Board's decisions are undertaken on an unanimous basis and no individual or group is able to dominate the Board's decision-making process. There is also 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 the non-executive and independent directors have served on the Board for more than nine years.

**The Company as at 18 March 2019, has 1,353 shareholders – for details on the spread of shareholdings please refer to page 105 of this report. The two largest shareholders, representing 63.14 per cent of the total shares outstanding, are executive directors of the Company – one of whom is the Chairlady. The interests of minority shareholders are well represented through the non-executive and independent directors, whom constitutes majority of the Board of 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 who 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 operations, 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 meetings, 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 Mr David Tan Chao Hsiung, a non-executive and independent director, as the 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 feedbacks and recommendations 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, to discuss cessation and appointment of key executives (including the finance director), remunerations of the executive directors and key executives (including the granting of performance shares), and feedbacks from the External Auditors.

The Board believes that there are sufficient strong and independent elements and adequate safeguards in place against an uneven concentration of power and authority in any single individual.

**Board Membership**

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

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

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

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

The Chairman of the Nominating Committee and all its members are considered independent pursuant to the definition of independent under the 2012 Code. Mr 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 which clearly 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 go 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 Board 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 Committees, 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 the 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 Board Committees) and for assessing the contribution by each director to the effectiveness of the Board.

The assessment utilises a confidential questionnaire, covering areas such as Board's composition, Board's processes in 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 Board Committees, as well as of each director, the Board is of the view that the Board and Board 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, Mr Lau Teik Soon and Mr David Tan Chao Hsiung 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, (1) Mr Lau Teik Soon will remain as the Non-Executive and Independent Director, Chairman of the Nominating Committee and member of the Audit Committee and Remuneration Committee; and (2) Mr David Tan Chao Hsiung will remain as the non-Executive and Lead Independent Director, Chairman of the Audit Committee and a member of the Remuneration Committee and Nominating Committee.

Key information on directors proposed to be re-elected to the Board are as follows:-

| **Name of Director** | **David Tan Chao Hsiung** |
|---|---|
| Age | 58 |
| Country of principal residence | Singapore |
| Shareholding interest in the listed issuer and its subsidiaries | The Company<br>Nil<br><br>Subsidiaries of the Group<br>Nil |

| **Name of Director** | **David Tan Chao Hsiung** |
|---|---|
| Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries | None |
| Conflict of interest (including any competing business) | None |
| Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer | Yes |
| Principal Commitments Including Directorships | Past (for the last 5 years)<br>Nil<br><br>Present<br>Powermatic Data Systems Ltd<br>Tanamerah Capital Limited<br><br>Other Principal Commitments<br>Nil |

| **Name of Director** | **Lau Teik Soon** |
|---|---|
| Age | 80 |
| Country of principal residence | Singapore |
| Shareholding interest in the listed issuer and its subsidiaries | The Company<br>Nil<br><br>Subsidiaries of the Group<br>Nil |
| Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries | None |
| Conflict of interest (including any competing business) | None |
| Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer | Yes |
| Principal Commitments Including Directorships | Past (for the last 5 years)<br>Nil<br><br>Present<br>Ryobi Kiso Holdings Ltd<br><br>Other Principal Commitments<br>Tan Leroy & Associates - Consultant |

The retiring directors had responded negative to items (a) to (k) listed in Appendix 7.4.1 (Announcement of Appointment) of the Listing Manual of the SGX-ST.

**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. This will include sensitive matters which may be tabled at the meeting itself or discussed without papers being distributed. 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 Board Committees held since the previous Board Committees' 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 discussions. 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, 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, at the Company's expense.

All directors have separate and independent access to the advice of the Company Secretary. The Company Secretary and his representatives are present at Board meetings and ensures that procedures are followed, and that applicable rules and regulations are complied with. The Company Secretary will also attend all meetings of the Audit Committee, Remuneration Committee and Nominating Committee.

The Company Secretary assists to ensure good information flows within the Board and Board 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/her 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 which clearly sets out its duties and responsibilities 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 (including profit sharing arrangement), 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 management personnel. The Remuneration Committee is satisfied that the terms and conditions (including remuneration) for the key management personnel 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. The Remuneration Committee also reviews the Company's obligations arising in the event of termination of the Executive Director and key management personnel's contract of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

To further align the interest of key management personnel 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. As at to date, awards in respect of 2,400,000 shares have been granted under the plan. Details of the plan are set out in the Directors' Statement on pages 34 to 36.

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 management personnel (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 tenure of three years. The Remuneration Committee is of the view that the tenure of the service agreements is not excessively long.

The remuneration package of key management personnel 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 management personnel's 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 management personnel – 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
- In financial year 2017, the non-executive and independent directors on their own accord offered a reduction in their directors' fees since then, there was no increase in directors' fees. For financial year 2019, similar to they have offered to maintain their directors' fees that of financial year 2018.

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 the Executive Chairlady, Mdm 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 management personnel is set out below. The disclosure is provided to enable investors to understand the link between the remuneration paid to the directors and key management personnel, corporate and individual performance.

Remuneration table

| | | Breakdown in percentage | | | | |
|---|---|---|---|---|---|---|
| | Total Remuneration $'000 | Base/fixed salary % | Director's fees % | Variable or performance-related income/ bonuses % | Benefits in kind % | Total % |
| Directors | | | | | | |
| Cheng Woei Fen | 232 | 96.0 | – | – | 4.0 | 100.0 |
| Quek Kian Hui | 152 | 95.3 | – | – | 4.7 | 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 |

| | Base/fixed salary % | Director's fees % | Variable or performance-related income/ bonuses % | Benefits in kind % | Total % |
|---|---|---|---|---|---|
| | ← | Breakdown in percentage | | | → |
| Top 5 key management personnel | | | | | |
| ***Below $250,000*** | | | | | |
| Lin Yan | 95.1 | – | – | 4.9 | 100.0 |
| Yeo Sheok Yeow Johnny (1) | 92.9 | – | – | 7.1 | 100.0 |
| Lim Poon Kheng, Eugene(2) | 99.4 | – | – | 0.6 | 100.0 |
| William Mclean Watson(3) | 99.4 | – | – | 0.6 | 100.0 |
| Wei Qian(4) | 88.1 | – | 4.1 | 7.8 | 100.0 |
| John Parkinson | 92.2 | – | – | 7.8 | 100.0 |

(1) Resigned as Finance Director on 8 June 2018
(2) Appointed as Finance Director on 1 July 2018
(3) Resigned on 11 June 2018
(4) Resigned on 2 January 2019
(5) Bonus relates to FY2017 financial performance

In line with the Group's financial performance for financial year 2018, based/fixed salary formed a substantial portion of the total remuneration of the executive directors (including that of the executive Chairlady) and key management personnel.

The total remuneration for the above key management personnel was $790,000.

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 (International) (the "SFRS (I)") 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 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.

Since financial year 2015, the Group, through its quarterly financial statement announcements and annual reports, has consistently warned shareholders and investors of an increasingly difficult market conditions driven by declining crude oil prices. Many of the capital expenditure decisions undertaken by the Group's business associates have a direct positive correlation to crude oil prices. The down trend in crude oil prices has resulted in significant reduction in jobs in the market and keen competition for the relative small number of jobs also cause an erosion of profit margins.

**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 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.

The Company has an Enterprise Risk Management (the "ERM") manual which was developed by Management with the assistance from the internal auditor in 2017. Potential risks were identified and were assessed for its impact on the Group. Assessment was made to ensure that adequate internal control 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 summarised as follow:

*Contract pricing and operational risks*

Contract pricing risk is the potential loss associated with tendering at prices below the cost of carrying out a project. 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 an 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 currency 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.

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 based in Singapore. 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.

The Group on 29 January 2019 announced that it will be expanding into the North America market through the formation of a joint venture company. The partner of the joint venture is an operator of a fabrication business that is focus on the process and utilities industries. The partnership will allow the Group quick access to the joint venture partner's portfolio of active customers.

*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 adequate and 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 and finance director 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. Mr 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, 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, clearly setting out their authority, 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, information technology risks and risk management systems;

- Reviewing the independence, adequacy resourced and 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, 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 | $115,000 | $12,000 |

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 716 of the Listing Manual of the SGX-ST in relation to its selection and appointment of auditing firms. The Audit Committee has recommended to the Board for the nomination of KPMG LLP for the re-appointment as external auditors at the forthcoming AGM.

*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 of the SGX-ST. There was also no general mandate for interested person transactions.

*Material Contracts*

There was no material contract 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 Audit Committee has reviewed the report by the Internal Auditor, as well as discussed with Management and the external auditors, and is satisfied that the Management has devised and maintained a system of internal accounting controls that is sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheet, and to maintain accountability of assets.

Based on the internal controls established and maintained by the Group, work performed by the Internal Auditors and work performed by the external auditors, and reviews performed by Management, the 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, compliance, information technology risks and the risk management systems.

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

## (D) 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 Listing Manual of the SGX-ST.

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 2018, the Board has proposed, subject to shareholders' approval at the AGM, a tax-exempt (one-tier) final dividend of 0.03 cents per ordinary share (2017:0.18 cents).

The payout for the dividend proposed for FY2018 is expected to be about $174,000 (based on the 578,724,400 shares outstanding excluding treasury shares) as compared to $1,043,000 paid in respect of FY2017.

As the Group reported an operating loss for FY2018, the dividends declared in FY2018 will be paid from accumulated profits - profits generated from prior years. The Group's cash and cash equivalent as at 28 February 2019 was $25.9 million.

***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 does 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 Board 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 key management personnel 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 and the execution of its share buyback mandate setting out the implications on insider trading. The Group's internal code prohibits the 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 interests, 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 Committees 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 IPO**

The proceeds raised from the Company's IPO, after deducting listing expenses of approximately $2.5 million was approximately $18.9 million. As at the date of this annual report, the unutilised balance brought forward from the previous financial year is $2,412,000 and the Company has utilised the balance as follow:

| Purpose / Amount (S$'000) | Raised at IPO | Balance b/f | Utilised in FY2018 | Balance c/f |
|---|---|---|---|---|
| To establish a regional presence | 4,000 | 2,125 | (39) | 2,086 |
| 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** | **2,451** | **(39)** | **2,412** |

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 hereby submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2018.

In our opinion:

(a) the financial statements set out on pages 45 to 104 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 2018 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 (International); 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
Peter Sim Swee Yam
David Tan Chao Hsiung
Lau Teik Soon

**Arrangement to enable shares and debentures**

Except as described below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

**Directors' 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 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 | 36,167,400 | 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 2019.

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**

**Mun Siong Engineering Limited Performance Share Plan (the "Plan")**

(Unless otherwise defined herein capitalised terms shall have the meanings ascribed in the circular to shareholders dated 29 March 2017).

The Plan was approved at an Annual General Meeting ("AGM") held on 20 April 2017, for granting awards to eligible full-time employees and Executive Directors.

***Principal Terms of the Plan***

*Eligibility*

The following persons shall be eligible to participate in the Plan subject to the absolute sole discretion of the Committee:

(a) full time employees who are confirmed in their employment with the Company or any subsidiary as at 31 December of the financial year prior to the Award Date and have been with the Company or its subsidiary for at least 12 Months or such shorter period as the Committee may determine on or prior to the Award Date; and

(b) Executive Directors,

provided always that any of the aforesaid persons:

(i) have attained the age of 21 years on or before the Award Date; and

(ii) are not undischarged bankrupts.

Subject to the separate approval by Independent Shareholders for their participation in the Plan, controlling shareholders and their associates within the above categories are eligible to participate in the Plan.

*Awards*

Awards represent the right of a participant to receive fully paid Shares, free of charge, upon the satisfaction of the prescribed Performance Conditions within the Performance Period. Participants will be granted an Award, under which Shares will be Vested and Released at the end of the Performance Period once the Committee is, at its sole discretion, satisfied that the Performance Conditions have been achieved.

# DIRECTORS' STATEMENT

*Grant of Awards*

Under the rules of the Plan, there are no fixed periods for the grant of Awards. As such, offers for the Awards may be made at any time from time to time at the discretion of the Committee. In considering an award to be granted to a participant, the Committee may take into account, inter alia, the participant's rank, scope of responsibilities, job performance, length of service and potential for future development, contribution to the success and development of the Company and if the extent of effort and resourcefulness required to achieve the Performance Conditions within the Performance Period.

*Vesting of Awards*

Awards will typically vest only after the satisfactory completion of the Performance Conditions within the Performance Period. No minimum vesting periods are prescribed under the Plan, and the length of the vesting period(s) in respect of each Award will be determined by the Committee on a case-by-case basis.

*Size of the Plan*

The aggregate number of Shares to be delivered pursuant to the Vesting of the Awards on any date, when added to the number of Shares issued and issuable in respect of such other Shares issued and/or issuable under such other share-based incentive schemes of the Company, shall not exceed 15 per cent of the total issued share capital excluding treasury shares of the Company on the day preceding the relevant Award Date.

Duration of the Plan

The Plan shall continue in force at the discretion of the Committee, subject to a maximum period of 10 years commencing on the date on which the Plan is adopted by the Company in general meeting, provided always that the Plan may continue beyond the above stipulated period with the approval of Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required. The termination or discontinuance of the Plan shall be without prejudice to the rights accrued to any Participant who has been granted Awards, whether such Awards have been Vested (whether fully or partially) or not.

The Plan is administered by the Remuneration Committee consisting of non-executive independent directors, Mr David Tan Chao Hsiung, Mr Peter Sim Swee Yam and Mr Lau Teik Soon.

On 21 February 2019, an employee was awarded 2,400,000 shares. The first tranche of the Award in respect of 800,000 Shares will vest after the financial year 31 December 2018, the second tranche of the Award, in respect of 800,000 shares will vest after the financial year 31 December 2019 and the third tranche in respect of 800,000 shares will vest after financial year 31 December 2020.

***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*

29 March 2019

# 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 2018, 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 45 to 104.

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 Singapore Financial Reporting Standards (International) ("SFRS(I)s") 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 2018 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.

*Members of the Company*
*Mun Siong Engineering Limited*

*Key audit matters (continued)*

**Revenue recognition**
(Refer to Note 21 to the financial statements)

**The key audit matter**

For the majority of its contracts, the Group recognises revenue over time, based on the percentage of completion of its projects. The percentage of completion is measured by reference to the work performed, based on the ratio of contract costs incurred to-date to the estimated total contract costs.

The recognition of revenue and profit/loss therefore rely on estimates in relation to the forecast total costs of each contract, which involve a significant degree of judgement.

The revenue on contracts may also include variations and claims. Variations and claims are recognised on a contract-by-contract basis when the Group's negotiations have reached a stage such that it is probable that the customer will accept the claim and the amount can be measured reliably.

The assessment of the judgement involved is a key focus area of our audit.

**How the matter was addressed in our audit**

We tested the key internal controls identified in the Group's revenue and contract budgeting processes.

We inspected contracts to assess whether the related revenue is recognised in accordance with the Group's accounting policies, with reference to the requirements of the accounting standards.

We discussed with Management on the performance of the contracts in progress during the year, on a sample basis and challenged the key estimates and assumptions adopted in the forecasts for contract revenue and contract costs, including estimated costs to completion, the recognition of variation orders by obtaining and evaluating relevant information in connection with the assumptions adopted, including correspondence with customers regarding contract variations and claims and by considering historical outcomes for similar contracts.

We performed re-computation of management's computation of the percentage of completion to ascertain proper recognition of revenue.

**Findings**

We found the assumptions and resulting estimates applied to be balanced.

*Key audit matters (continued)*

**Valuation for non-financial assets and their carrying values**
(Refer to Notes 4, 5 and 6 to the financial statements)

**The key audit matter**

As at 31 December 2018, the aggregate carrying values of the Group's property, plant and equipment, intangible asset and goodwill totalled $13.3 million, representing 20% of the total assets of the Group. The Company's property, plant and equipment and intangible asset totalled $13.4 million, which represented 21% of the total assets of the Company.

*Useful lives and residual values*
During the year, useful lives and residual values of certain property, plant and equipment were revised.

*Valuation of non–financial assets*
An assessment is required of cash-generating units (CGUs) to determine if there are any indicators of impairment. Where it is determined that an indicator of impairment or goodwill exists, the carrying value of all assets in the CGU are compared to the amounts expected to be recoverable from each CGU. This requires estimates to be made for each CGU of future revenues, operating costs, capital expenditure, timing of cash flows and the discount rates applicable to these cash flows.

Significant judgement was required in the aspects above and the assessment of the judgement involved is a key focus area of our audit.

**How the matter was addressed in our audit**

*Useful lives and residual values*
We have reviewed the assessment performed on the useful lives of the property, plant and equipment, compared the useful lives and residual value to industry practices, historical utilisation pattern and agreed relevant information used to external market data.

*Valuation of non–financial assets*
We considered the need for impairment provisions by assessing whether there were indicators of potential impairment in each CGU taking into consideration changes in profitability, cashflow generation and outlook as compared to the previous reporting period. In addition, we considered the changes in market capitalisation of the Group. Where a CGU is required testing for impairment, we challenged the forecasts of its future revenues, operating costs, capital expenditure and discount rates based on our knowledge of the business and industry. We assessed the arithmetical accuracy of the discounted cash flow models by re-performing the mathematical calculations.

**Findings**

We found that the estimates of useful lives and residual values were balanced.

We found that the revised composition of the CGUs reflects the Group's business plans. Where CGU testing was required to be conducted, the estimates were found to be balanced.

*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 SFRS(I)s, 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.

*Auditors' responsibilities for the audit of the financial statements (continued)*

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

*Members of the Company*
*Mun Siong Engineering Limited*

**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 Voo Poh Jee.

**KPMG LLP**
*Public Accountants and*
*Chartered Accountants*

**Singapore**
29 March 2019

# STATEMENTS OF FINANCIAL POSITION

*As at 31 December 2018*

| | | Group | | | Company | | |
|---|---|---|---|---|---|---|---|
| | Note | 2018 $'000 | 2017 $'000 | 1 Jan 2017 $'000 | 2018 $'000 | 2017 $'000 | 1 Jan 2017 $'000 |
| **Assets** | | | | | | | |
| Property, plant and equipment | 4 | 13,347 | 14,616 | 17,102 | 13,367 | 14,658 | 17,088 |
| Intangible asset | 5 | – | 742 | 891 | – | 742 | 891 |
| Goodwill on consolidation | 6 | – | 1,001 | 1,001 | – | – | – |
| Investment properties | 7 | 1,225 | 1,225 | 1,310 | 1,225 | 1,225 | 1,310 |
| Subsidiaries | 8 | – | – | – | 2,580 | 4,492 | 4,741 |
| **Non-current assets** | | 14,572 | 17,584 | 20,304 | 17,172 | 21,117 | 24,030 |
| Inventories | 10 | 351 | 603 | 259 | 351 | 603 | 259 |
| Contract assets | 11 | 10,059 | 5,672 | 17,848 | 9,277 | 5,181 | 16,441 |
| Trade and other receivables | 12 | 15,681 | 11,436 | 16,928 | 15,622 | 11,005 | 15,893 |
| Cash and cash equivalents | 13 | 26,549 | 35,648 | 18,211 | 20,777 | 22,030 | 5,725 |
| **Current assets** | | 52,640 | 53,359 | 53,246 | 46,027 | 38,819 | 38,318 |
| **Total assets** | | 67,212 | 70,943 | 73,550 | 63,199 | 59,936 | 62,348 |
| **Equity** | | | | | | | |
| Share capital | 14 | 26,254 | 26,254 | 26,130 | 26,254 | 26,254 | 26,130 |
| Capital reserve | 15 | – | – | 6 | – | – | 6 |
| Translation reserve | 16 | (2) | 2 | 9 | – | – | – |
| Treasury shares | 17 | (193) | (118) | – | (193) | (118) | – |
| Retained earnings | | 28,704 | 33,513 | 32,205 | 24,344 | 22,969 | 18,701 |
| **Equity attributable to owners of the Company** | | 54,763 | 59,651 | 58,350 | 50,405 | 49,105 | 44,837 |
| **Non-controlling interests** | | 5 | – | – | – | – | – |
| **Total equity** | | 54,768 | 59,651 | 58,350 | 50,405 | 49,105 | 44,837 |
| **Liabilities** | | | | | | | |
| Loans and borrowings | 18 | 81 | 100 | – | 81 | 100 | – |
| Provision for restoration costs | 19 | 355 | 337 | 320 | 355 | 337 | 320 |
| Deferred tax liabilities | 9 | 1,484 | 1,435 | 1,286 | 1,484 | 1,435 | 1,281 |
| **Non-current liabilities** | | 1,920 | 1,872 | 1,606 | 1,920 | 1,872 | 1,601 |
| Trade and other payables | 20 | 10,247 | 8,198 | 13,289 | 10,773 | 8,079 | 15,644 |
| Contract liabilities | 11 | 82 | 868 | 266 | 82 | 861 | 266 |
| Loans and borrowings | 18 | 19 | 19 | – | 19 | 19 | – |
| Current tax payable | | 176 | 335 | 39 | – | – | – |
| **Current liabilities** | | 10,524 | 9,420 | 13,594 | 10,874 | 8,959 | 15,910 |
| **Total liabilities** | | 12,444 | 11,292 | 15,200 | 12,794 | 10,831 | 17,511 |
| **Total equity and liabilities** | | 67,212 | 70,943 | 73,550 | 63,199 | 59,936 | 62,348 |

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the financial year ended 31 December 2018*

| | Note | 2018<br>$'000 | 2017<br>$'000 |
|---|---|---|---|
| Revenue | 21 | 62,878 | 73,568 |
| Cost of sales | | (59,392) | (66,062) |
| **Gross profit** | | 3,486 | 7,506 |
| Other income | 22 | 859 | 1,001 |
| Administrative expenses | | (7,473) | (5,846) |
| Other operating expenses | | (813) | (116) |
| **Results from operating activities** | | (3,941) | 2,545 |
| Finance income | 23 | 424 | 127 |
| Finance costs | 23 | (21) | (19) |
| **(Loss)/Profit before tax** | 24 | (3,538) | 2,653 |
| Tax expense | 25 | (229) | (486) |
| **(Loss)/Profit for the year** | | (3,767) | 2,167 |
| **(Loss)/Profit attributable to:** | | | |
| Owners of the Company | | (3,766) | 2,167 |
| Non-controlling interests | | (1) | – |
| **(Loss)/Profit for the year** | | (3,767) | 2,167 |
| **Other comprehensive income** | | | |
| **Item that is or may be reclassified subsequently to profit or loss:** | | | |
| Foreign currency translation difference from foreign operations | | (4) | (7) |
| **Total comprehensive income for the year** | | (3,771) | 2,160 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | (3,770) | 2,160 |
| Non-controlling interests | | (1) | – |
| **Total comprehensive income for the year** | | (3,771) | 2,160 |
| **(Loss)/Earnings per share** | | | |
| Basic (loss)/earnings per share (cents) | 26 | (0.65) | 0.38 |
| Diluted (loss)/earnings per share (cents) | 26 | (0.65) | 0.38 |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the financial year ended 31 December 2018*

| 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 CHANGES IN EQUITY

*For the financial year ended 31 December 2018*

| | | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Group** | **Note** | **Share capital $'000** | **Translation reserve $'000** | **Treasury shares $'000** | **Retained earnings $'000** | **Total $'000** | **Non-controlling interests $'000** | **Total equity $'000** |
| At 1 January 2018 | | 26,254 | 2 | (118) | 33,513 | 59,651 | – | 59,651 |
| **Total comprehensive income for the year** | | | | | | | | |
| Loss for the year | | – | – | – | (3,766) | (3,766) | (1) | (3,767) |
| **Other comprehensive income** | | | | | | | | |
| Foreign currency translation difference from foreign operations | | – | (4) | – | – | (4) | – | (4) |
| **Total comprehensive income for the year** | | – | (4) | – | (3,766) | (3,770) | (1) | (3,771) |
| **Transactions with owners, recognised directly in equity** | | | | | | | | |
| **Contributions by and distributions to owners** | | | | | | | | |
| Share buy-back – held as treasury shares | | – | – | (75) | – | (75) | – | (75) |
| Capital contribution by non-controlling interests | | – | – | – | – | – | 6 | 6 |
| Dividends | 14 | – | – | – | (1,043) | (1,043) | – | (1,043) |
| **Total transactions with owners** | | – | – | (75) | (1,043) | (1,118) | 6 | (1,112) |
| At 31 December 2018 | | 26,254 | (2) | (193) | 28,704 | 54,763 | 5 | 54,768 |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

*For the financial year ended 31 December 2018*

| | Note | 2018<br>$'000 | 2017<br>$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| (Loss)/Profit before tax | | (3,538) | 2,653 |
| Adjustments for: | | | |
| Change in fair value of investment property | | – | 85 |
| Impairment on goodwill on consolidation | | 1,001 | – |
| Depreciation of property, plant and equipment | | 2,904 | 3,749 |
| Amortisation of intangible asset | | 149 | 149 |
| Impairment of intangible asset | | 593 | – |
| Loss on liquidation of a subsidiary | | 75 | – |
| Net gain on disposal of property, plant and equipment | | (57) | (127) |
| Provision for foreseeable losses | | – | 2 |
| Unwinding of discount on site restoration provision | | 18 | 17 |
| Interest expense | | 3 | 2 |
| Interest income | | (424) | (127) |
| | | 724 | 6,403 |
| Changes in inventories | | 252 | (346) |
| Changes in contract assets | | (4,387) | 12,176 |
| Changes in contract liabilities | | (786) | 602 |
| Changes in trade and other receivables | | (4,245) | 5,492 |
| Changes in trade and other payables | | 1,974 | (5,091) |
| Cash (used in)/generated from operating activities | | (6,468) | 19,236 |
| Tax paid | | (339) | (41) |
| **Net cash (used in)/from operating activities** | | (6,807) | 19,195 |
| **Cash flows from investing activities** | | | |
| Interest received | | 424 | 127 |
| Acquisition of property, plant and equipment | | (1,837) | (1,133) |
| Proceeds from disposal of property, plant and equipment | | 259 | 128 |
| **Net cash used in investing activities** | | (1,154) | (878) |
| **Cash flows from financing activities** | | | |
| Repayment of loans and borrowings | | (19) | (12) |
| Proceeds from contribution by non-controlling interests | | 6 | – |
| Dividends paid | | (1,043) | (859) |
| Proceeds from exercise of warrants | | – | 118 |
| Share buy-back | | (75) | (118) |
| Interest paid | | (3) | (2) |
| **Net cash used in financing activities** | | (1,134) | (873) |
| **Net (decrease)/increase in cash and cash equivalents** | | (9,095) | 17,444 |
| Cash and cash equivalents at 1 January | | 35,648 | 18,211 |
| Effect of exchange rate fluctuations on cash held | | (4) | (7) |
| **Cash and cash equivalents at 31 December** | 13 | 26,549 | 35,648 |

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

# NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2018*

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 29 March 2019.

**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 2018 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 Singapore Financial Reporting Standards (International) ("SFRS(I)"). These are the Group's first financial statements prepared in accordance with SFRS(I) and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied.

In the previous financial years, the financial statements were prepared in accordance with the Financial Reporting Standards in Singapore ("FRS"). An explanation of how the transition to SFRS(I) and application of SFRS(I) 15 have affected the reported financial position, financial performance and cash flows is provided in Note 32.

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 SFRS(I) 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.

**2 Basis of preparation (continued)**

2.4 Use of estimates and judgements (continued)

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; and
- Note 21 – Revenue recognition: estimate of total contract costs used in determining the percentage of completion.

***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 Group's Audit Committee.

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).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

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

**3 Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening SFRS(I) statements of financial position at 1 January 2017 for the purposes of the transition to SFRS(I), unless otherwise indicated.

The accounting policies have been applied consistently by Group entities.

3.1 Basis of consolidation

***Business combinations***

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

***Acquisitions from 1 January 2017***

For acquisitions from 1 January 2017, the Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests ("NCI") 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.

NCI 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 NCI's 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 NCI are measured at acquisition-date fair value, unless another measurement basis is required by SFRS(I)s.

Costs related to the acquisition, other than those associated with the issue of debt or equity investments, 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 NCI arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

**3 Significant accounting policies (continued)**

3.1 Basis of consolidation (continued)

***Acquisitions before 1 January 2017***

As part of transition to SFRS(I), the Group elected not to restate those business combinations that occurred before the date of transition to SFRS(I), i.e. 1 January 2017. Goodwill arising from acquisitions before 1 January 2017 has been carried forward from the previous FRS framework as at the date of transition.

***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 NCI in a subsidiary are allocated to the NCI even if doing so causes NCI 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. Since 1 January 2017, the Group's date of transition to SFRS(I), such differences have been recognised in the translation reserve in equity. When a foreign operation is disposed of such that 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; and
- 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.

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 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.

**3 Significant accounting policies (continued)**

3.3 Property, plant and equipment (continued)

***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.

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

| | |
|---|---|
| • Leasehold property | Over the remaining lease term of 2 years (2017: 3 years) |
| • Machinery, tools and equipment | 12 to 15 years (2017: 5 to 15 years) |
| • Furniture and office equipment | 5 to 10 years (2017: 3 to 10 years) |
| • Motor vehicles | 7 to 15 years (2017: 5 years) |
| • Other assets | 15 years (2017: 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

***Licensing rights***

Licensing rights acquired by the Group has a finite useful life and 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 it is available for use. The estimated useful life of the 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 Significant accounting policies (continued)**

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.

***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.

3.7 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 Significant accounting policies (continued)**

3.9 Financial instruments

**(i) Recognition and initial measurement**

**Non-derivative financial assets and financial liabilities**

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

**(ii) Classification and subsequent measurement**

**Non-derivative financial assets – Policy applicable from 1 January 2018**

On initial recognition, a financial asset is classified as measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

*Financial assets at amortised cost*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**Financial assets: Business model assessment – Policy applicable from 1 January 2018**

The Group makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;

**3 Significant accounting policies (continued)**

3.9 Financial instruments (continued)

**(ii) Classification and subsequent measurement (continued)**

**Financial assets: Business model assessment – Policy applicable from 1 January 2018 (continued)**

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose consistent with the Group's continuing recognition of the assets.

**Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 January 2018**

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate fractures;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

**Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 January 2018**

*Financial assets at amortised cost*

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

**3 Significant accounting policies (continued)**

3.9 Financial instruments (continued)

**(ii) Classification and subsequent measurement (continued)**

**Non-derivative financial assets – Policy applicable before 1 January 2018**

The Group classifies non-derivative financial assets into the loans and receivables category.

**Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable before 1 January 2018**

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

Loans and receivables comprised cash and cash equivalents, and trade and other receivables (excluding prepayments).

**Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortised cost.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised costs using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit and loss. These financial liabilities comprised loan and borrowings, and trade and other payables.

**(iii) Derecognition**

**Financial assets**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

**3 Significant accounting policies (continued)**

3.9 Financial instruments (continued)

**(iii) Derecognition (continued)**

**Financial liabilities**

The Group derecognises a financial liability when the contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

**(iv) Offsetting**

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

**(v) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of one month from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

**(vi) 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 Significant accounting policies (continued)**

3.10 Impairment

**(i) Non-derivative financial assets and contract assets – Policy applicable from 1 January 2018**

The Group recognises loss allowances for expected credit loss (ECLs) on:

- financial assets measured at amortised costs; and
- contract assets (as defined in SFRS(I) 15).

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

*Simplified approach*

The Group applies the simplified approach to provide for ECLs for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

*General approach*

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset and contract asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

**3 Significant accounting policies (continued)**

3.10 Impairment (continued)

**(i) Non-derivative financial assets and contract assets – Policy applicable from 1 January 2018 (continued)**

*Measurement of ECLs*

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

*Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

*Presentation of allowance for ECLs in the statement of financial position*

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

*Write-off*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

**(ii) Non-derivative financial assets and contract assets – Policy applicable before 1 January 2018**

A financial asset not carried at FVTPL was assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset was impaired if objective evidence indicated that a loss event(s) had occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets were impaired included 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 would enter bankruptcy and adverse changes in the payment status of borrowers.

**3 Significant accounting policies (continued)**

3.10 Impairment (continued)

**(ii) Non-derivative financial assets and contract assets – Policy applicable before 1 January 2018 (continued)**

*Loans and receivables and contract assets*

The Group considered evidence of impairment for loans and receivables and contract assets at both an individual asset and collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss was calculated as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

**(iii) Non-financial assets**

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

**3 Significant accounting policies (continued)**

3.10 Impairment (continued)

**(iii) Non-financial assets (continued)**

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.

3.11 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.

3.12 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.

**3 Significant accounting policies (continued)**

3.12 Provisions (continued)

***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.

3.13 Revenue

**Services sold**

The Group provides mechanical engineering and specialised services to customers through fixed-price contracts. Revenue is recognised when the control of a promised service has been transferred to the customer. At contract inception, the Group assesses whether the Group transfers control of the services over time or at a point in time by determining if (a) its performance does not create an asset with an alternative use to the Group; and (b) the Group has an enforceable right to payment for performance completed to date.

Where a promised service has no alternative use for the Group due to contractual restriction, and the Group has enforceable rights to payment for performance completed to date arising from the contractual terms, revenue is recognised over time, based on the percentage of completion of its projects. The percentage of completion is measured by reference to the work performed, based on the ratio of costs incurred to-date to the estimated total costs. Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress and instead are expensed as incurred.

In respect of contracts where the Group does not have an enforceable right to payment for performance completed to date, revenue is recognised only when the service is delivered to the customer and the customer has accepted it in accordance with the sales contract.

Revenue is measured at the transaction price agreed under the contract entered into with customers. Estimates of revenues, costs or extent of progress towards completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The customer is invoiced based on a payment schedule which is typically triggered upon achievement of specified milestones. If the value of the services transferred by the Group exceeds the payments, a contract asset is recognised. If the payments exceed the value of the services transferred, a contract liability is recognised.

***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".

## 3 Significant accounting policies (continued)

### 3.14 Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense; and
- unwinding of discount on site restoration provision.

Interest income or expense is recognised 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 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.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

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.

**3 Significant accounting policies (continued)**

3.17 Tax (continued)

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. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted. 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.

Deferred tax assets are 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 used. 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; such reductions are reversed when the probability of future taxable profits improves.

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 Significant accounting policies (continued)**

3.18 Earnings per share

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

3.19 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Executive Committee (the chief operating decision maker) to make decisions about resources to be allocated to the segments and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's Executive Committee to include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquater).

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

3.20 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these financial statements. An explanation of the impact, if any, on adoption of these new requirements is provided in Note 33.

## 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 2017 | 7,689 | 27,311 | 2,557 | 7,294 | 549 | 45,400 |
| Additions | – | 550 | 8 | 695 | 11 | 1,264 |
| Disposals | – | (110) | (9) | (464) | (19) | (602) |
| At 31 December 2017 | 7,689 | 27,751 | 2,556 | 7,525 | 541 | 46,062 |
| Additions | – | 1,400 | – | 437 | – | 1,837 |
| Disposals | (13) | (1,409) | (60) | (540) | (14) | (2,036) |
| At 31 December 2018 | 7,676 | 27,742 | 2,496 | 7,422 | 527 | 45,863 |
| **Accumulated depreciation** | | | | | | |
| At 1 January 2017 | 5,184 | 15,667 | 1,460 | 5,485 | 502 | 28,298 |
| Depreciation | 696 | 2,165 | 258 | 614 | 16 | 3,749 |
| Disposals | – | (110) | (8) | (464) | (19) | (601) |
| At 31 December 2017 | 5,880 | 17,722 | 1,710 | 5,635 | 499 | 31,446 |
| Depreciation | 574 | 1,611 | 394 | 311 | 14 | 2,904 |
| Disposals | (13) | (1,234) | (60) | (513) | (14) | (1,834) |
| At 31 December 2018 | 6,441 | 18,099 | 2,044 | 5,433 | 499 | 32,516 |
| **Carrying amounts** | | | | | | |
| At 1 January 2017 | 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 |
| At 31 December 2018 | 1,235 | 9,643 | 452 | 1,989 | 28 | 13,347 |

**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 2017 | 7,824 | 26,838 | 2,868 | 6,433 | 520 | 44,483 |
| Additions | – | 542 | 8 | 695 | 11 | 1,256 |
| Disposals | – | (108) | – | (464) | (14) | (586) |
| At 31 December 2017 | 7,824 | 27,272 | 2,876 | 6,664 | 517 | 45,153 |
| Additions | – | 1,407 | – | 499 | – | 1,906 |
| Disposals | – | (971) | – | (375) | – | (1,346) |
| At 31 December 2018 | 7,824 | 27,708 | 2,876 | 6,788 | 517 | 45,713 |
| **Accumulated depreciation** | | | | | | |
| At 1 January 2017 | 5,172 | 15,212 | 1,787 | 4,762 | 462 | 27,395 |
| Depreciation | 696 | 2,155 | 256 | 563 | 16 | 3,686 |
| Disposals | – | (108) | – | (464) | (14) | (586) |
| At 31 December 2017 | 5,868 | 17,259 | 2,043 | 4,861 | 464 | 30,495 |
| Depreciation | 696 | 1,606 | 392 | 288 | 14 | 2,996 |
| Disposals | – | (796) | – | (349) | – | (1,145) |
| At 31 December 2018 | 6,564 | 18,069 | 2,435 | 4,800 | 478 | 32,346 |
| **Carrying amounts** | | | | | | |
| At 1 January 2017 | 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 |
| At 31 December 2018 | 1,260 | 9,639 | 441 | 1,988 | 39 | 13,367 |

## 4 Property, plant and equipment (continued)

***Impairment of property, plant and equipment***

In view of the Group's market capitalisation being lower than its net assets as at the balance sheet date, 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 post-tax discount rate used in the calculation of recoverable amount is as follows:

| | **2018** | **2017** | **1 Jan 2017** |
|---|---|---|---|
| | % | % | % |
| Post-tax discount rate | 9.0 | 10.5 | 10.5 |

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 and machinery, tools and equipment under a number of finance lease agreements. At 31 December 2018, the net carrying amount of leased motor vehicles and machinery, tools and equipment secured under these facilities was $116,000 (2017: $153,000; 1 January 2017: $Nil).

***Change in estimates***

During 2018, the Group revised its estimates for the useful lives and residual values of certain assets after conducting an operating review of their useful lives and residual values. As a result, the expected useful lives increased and residual values of certain assets were revised upwards. The effect of these changes on actual and expected depreciation expense, included in 'cost of sales' and 'administrative expenses' was as follows:

| | **2018** | **2019** | **2020** | **2021** | **2022** | **Later** |
|---|---|---|---|---|---|---|
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **Group** | | | | | | |
| (Decrease)/Increase in depreciation expense | (785) | (779) | (671) | (599) | (238) | 3,105 |

## 5 Intangible asset

| Group and Company | Licensing rights $'000 |
|---|---|
| **Cost** | |
| At 1 January 2017, 31 December 2017 and 31 December 2018 | 1,487 |
| **Accumulated amortisation** | |
| At 1 January 2017 | 596 |
| Amortisation | 149 |
| At 31 December 2017 | 745 |
| Amortisation | 149 |
| Impairment loss | 593 |
| At 31 December 2018 | 1,487 |
| **Carrying amounts** | |
| At 1 January 2017 | 891 |
| At 31 December 2017 | 742 |
| At 31 December 2018 | – |

**Amortisation of intangible asset**

The amortisation of intangible asset is included in 'administrative expenses'.

**Impairment of intangible asset**

During 2018, following the significant decline in demand for the product under the Group's licensing rights, management estimated the recoverable amount of the CGU (the licensing rights) based on its value in use. The estimate of value in use was determined using a post-tax discount rate of 9.0%. At 31 December 2018, the recoverable amount of the CGU was $Nil. Impairment loss amounting to $593,000 was recognised as "other operating expenses" in profit or loss.

For the purpose of impairment testing, the intangible asset was re-allocated to a separate CGU ("tube coating") due to the change in Group's strategy to market the product as an independent business offering. In the prior year, intangible asset was allocated to the Mechanical CGU.

## 6 Goodwill on consolidation

| | Group $'000 |
|---|---|
| **Cost** | |
| At 1 January 2017, 31 December 2017 and 31 December 2018 | 1,636 |
| **Accumulated impairment** | |
| At 1 January 2017 and 31 December 2017 | 635 |
| Impairment loss | 1,001 |
| At 31 December 2018 | 1,636 |
| **Carrying amounts** | |
| At 1 January 2017 and 31 December 2017 | 1,001 |
| At 31 December 2018 | – |

## 6 Goodwill on consolidation (continued)

***Impairment testing for cash-generating unit ("CGU") containing goodwill***

For the purpose of impairment testing, goodwill is allocated to the electrical and instrumentation CGU.

The recoverable amount of the electrical and instrumentation CGU was based on its value in use. The key assumptions used in the estimation of the recoverable amount are set out as below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

| | 2018 | 2017 | 1 Jan 2017 |
|---|---|---|---|
| | % | % | % |
| **Group** | | | |
| Budgeted revenue growth rate (average of next 5 years (2017: 3; 1 January 2017: 3)) | – | 11.0 | 19.0 |
| Budgeted EBITDA growth rate | – | 5.0 | 6.0 |
| Discount rate | 9.0 | 10.5 | 10.5 |

Average annual revenue growth rate and EBITDA growth rate were estimated based on existing and newly secured projects and maintenance contracts as well as historical trend for a one-year time horizon.

The cash flow projections included specific estimates for 5 years (2017: 3; 1 January 2017: 3) years. 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.

The discount rate was a post-tax measure estimated based on the historical industry average weighted-average cost of capital, with a possible range of debt leveraging of 10% at a market interest rate of 3.6%.

At 31 December 2018, the recoverable amount of the CGU was $Nil. Impairment loss amounting to $1,001,000 was recognised as "other operating expenses" in profit or loss.

## 7 Investment properties

| | Group and Company | | |
|---|---|---|---|
| | 2018 | 2017 | 1 Jan 2017 |
| | $'000 | $'000 | $'000 |
| At 1 January | 1,225 | 1,310 | 1,310 |
| Changes in fair value | – | (85) | – |
| At 31 December | 1,225 | 1,225 | 1,310 |

## 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.

Changes in fair values are recognised as gains in profit or loss and included in 'other income'. All gains are unrealised.

**Measurement of fair value**

**(i) Fair value hierarchy**

The fair values of investment properties were determined by an external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of properties being valued. The independent valuers provide the fair value of the Group's investment properties annually.

The fair value measurement for all of the investment properties of $1,225,000 (2017: $1,225,000; 1 January 2017: $1,310,000) has been categorised as a Level 2 fair value based on the inputs to the valuation technique used (see Note 2.4).

**(ii) Valuation technique**

The following table shows the Group's valuation techniques used in measuring Level 2 fair values, as well as significant unobservable inputs.

| Type | Valuation technique | Significant unobservable inputs | Inter-relationship between key unobservable inputs and fair value measurement |
|---|---|---|---|
| Investment properties | Direct comparison method | Transacted prices per square metre of comparable properties in close proximity on recent market transactions[1] | The estimated fair value varies with different adjustment factors used. |

[1] Adjustments are made for any difference in the location, tenure, size and condition of the specific property.

## 8 Subsidiaries

| | Company 2018 $'000 | 2017 $'000 | 1 Jan 2017 $'000 |
|---|---|---|---|
| Unquoted equity investments, at cost | 4,336 | 6,836 | 6,836 |
| Allowance for impairment loss | (1,756) | (2,344) | (2,095) |
| | 2,580 | 4,492 | 4,741 |

## 8 Subsidiaries (continued)

Details of the subsidiaries are as follows:

| Name of subsidiaries | Principal activities | Country of incorporation | Effective equity held by the Company | | |
|---|---|---|---|---|---|
| | | | 2018 | 2017 | 1 Jan 2017 |
| | | | % | % | % |
| OHM Engineering Pte Ltd [1] | Mechanical and electrical engineering services | Singapore | 100 | 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 | 100 |
| Mun Siong Engineering Sdn Bhd | Provision of engineering services and contractor to the process industries in Malaysia | Malaysia | 100 | 100 | 100 |
| Pegasus Advance Engineering LLP | Provision of engineering, procurement and construction services as well as contractor to the process industries in India | India | 100 | 100 | 100 |
| Pegasus Advance Engineering Co., Ltd | Provision of engineering, procurement and construction services as well as contractor to the process industries in Myanmar | Myanmar | 80 | 80 | – |

(1) Audited by KPMG LLP.
(2) Liquidated in 2018.

***Liquidation of subsidiaries***

During 2018, the Group liquidated its wholly-owned dormant subsidiary, Wing Wah Industrial Services Pte. Ltd. ("WWH").

In addition, in view of the Group's plan to liquidate Pegasus Advance Engineering LLP ("PAE LLP"), now a dormant company, the Group recognised a loss on liquidation of $75,000 in "other operating expenses" in profit or loss.

## 8 Subsidiaries (continued)

***Impairment loss***

At the balance sheet date, the Company assessed the carrying amount of its investments in subsidiaries for indicators of impairment. Based on this assessment, the Company recognised a net impairment loss of $1,161,000 (2017: $249,000; 1 January 2017: $595,000) on its investments. The recoverable amounts of the subsidiaries were estimated taking into consideration the fair values of the underlying assets of the companies and the liabilities to be settled.

## 9 Deferred tax liabilities

Movements in temporary differences during the year are as follows:

| | At 1 January 2017 | Recognised in profit or loss (Note 25) | At 31 December 2017 | Recognised in profit or loss (Note 25) | At 31 December 2018 |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Group** | | | | | |
| *Deferred tax assets* | | | | | |
| Unutilised tax losses and capital allowances | (356) | 356 | – | (122) | (122) |
| Provisions | (66) | 7 | (59) | 7 | (52) |
| | (422) | 363 | (59) | (115) | (174) |
| *Deferred tax liabilities* | | | | | |
| Property, plant and equipment | 1,708 | (214) | 1,494 | 164 | 1,658 |
| | 1,286 | 149 | 1,435 | 49 | 1,484 |
| **Company** | | | | | |
| *Deferred tax assets* | | | | | |
| Unutilised tax losses and capital allowances | (356) | 356 | – | (122) | (122) |
| Provisions | (57) | 7 | (50) | (2) | (52) |
| | (413) | 363 | (50) | (124) | (174) |
| *Deferred tax liabilities* | | | | | |
| Property, plant and equipment | 1,694 | (209) | 1,485 | 173 | 1,658 |
| | 1,281 | 154 | 1,435 | 49 | 1,484 |

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 | | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 1 Jan 2017 | 2018 | 2017 | 1 Jan 2017 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Deferred tax liabilities | 1,484 | 1,435 | 1,286 | 1,484 | 1,435 | 1,281 |

## 10 Inventories

| | Group and Company | | |
|---|---|---|---|
| | 2018 | 2017 | 1 Jan 2017 |
| | $'000 | $'000 | $'000 |
| Consumables, at cost | 351 | 603 | 259 |

In 2018, changes in consumables recognised as cost of sales amounted to $1,554,000 (2017: $388,000; 1 January 2017: $110,000).

## 11 Contract assets/(Contract liabilities)

| | | Group | | | Company | | |
|---|---|---|---|---|---|---|---|
| | Note | 2018 | 2017 | 1 Jan 2017 | 2018 | 2017 | 1 Jan 2017 |
| | | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Contract assets | (i) | 10,059 | 5,672 | 17,848 | 9,277 | 5,181 | 16,441 |
| Contract liabilities | (ii) | (82) | (868) | (266) | (82) | (861) | (266) |
| | | 9,977 | 4,804 | 17,582 | 9,195 | 4,320 | 16,175 |

(i) Contract assets

Contract assets relate primarily to the Group's right to consideration for work completed but not billed at the reporting date in respect of its business. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group invoices the customer.

The changes in contract assets in 2018 and 2017 are due to the differences between the agreed payment schedule and progress of the construction work.

(ii) Contract liabilities

Contract liabilities relate primarily to progress billings issued in excess of the Group's rights to the consideration.

The contract liabilities are recognised as revenue when the Group fulfils its performance obligation under the contract with the customer. The significant changes in the contract liabilities during the year are as follows:

| | 2018 | 2017 |
|---|---|---|
| | $'000 | $'000 |
| Revenue recognised that was included in contract liabilities at the beginning of the year | 868 | 266 |

## 12 Trade and other receivables

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 2018 $'000 | 2017 $'000 | 1 Jan 2017 $'000 | 2018 $'000 | 2017 $'000 | 1 Jan 2017 $'000 |
| Trade receivables | 11,741 | 9,056 | 14,667 | 11,540 | 8,444 | 13,492 |
| Amounts due from subsidiaries (non-trade) | – | – | – | 197 | 253 | 241 |
| Deposits | 756 | 1,571 | 1,662 | 726 | 1,543 | 1,614 |
| Other receivables | 138 | 103 | 79 | 115 | 71 | 42 |
| | 12,635 | 10,730 | 16,408 | 12,578 | 10,311 | 15,389 |
| Prepayments | 3,046 | 706 | 520 | 3,044 | 694 | 504 |
| | 15,681 | 11,436 | 16,928 | 15,622 | 11,005 | 15,893 |

The non-trade amounts due from subsidiaries are unsecured, interest-free and are repayable on demand. There is no allowance for doubtful debts arising from these outstanding balances as the ECL is not material.

Included in prepayments are costs of machinery that have yet to be commissioned of $2,073,000.

The Group's and the Company's exposure to credit and currency risks, and impairment losses for trade and other receivables are disclosed in Note 28.

## 13 Cash and cash equivalents

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 2018 $'000 | 2017 $'000 | 1 Jan 2017 $'000 | 2018 $'000 | 2017 $'000 | 1 Jan 2017 $'000 |
| Cash at bank and on hand | 11,411 | 8,351 | 9,406 | 10,293 | 7,030 | 5,725 |
| Fixed deposits | 15,138 | 27,297 | 8,805 | 10,484 | 15,000 | – |
| Cash and cash equivalents in the consolidated statement of cash flows | 26,549 | 35,648 | 18,211 | 20,777 | 22,030 | 5,725 |

Fixed deposits placed with financial institutions have maturity period within one month (2017 and 1 January 2017: one month) from the financial year end and interest rates ranging from 1.54% to 3.00% (2017: 0.93% to 3.00%; 1 January 2017: 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 | |
|---|---|---|
| | 2018 | 2017 |
| | Number of shares | Number of shares |
| | '000 | '000 |
| **Company** | | |
| In issue at 1 January | 581,546 | 569,793 |
| Exercise of warrants | – | 11,753 |
| In issue at 31 December | 581,546 | 581,546 |

***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*

In 2017, 11,753,000 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 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 | | |
|---|---|---|---|
| | 2018 | 2017 | 1 Jan 2017 |
| | $'000 | $'000 | $'000 |
| **Paid by the Company to owners of the Company** | | | |
| 0.18 cents per ordinary share (2017: 0.15 cents; 1 January 2017: 0.35 cents), comprising a final dividend of 0.15 cents per ordinary share (2017: 0.15 cents; 1 January 2017: 0.15 cents) and a special dividend of 0.03 cents per ordinary share (2017: Nil cents; 1 January 2017: 0.20 cents) | 1,043 | 859 | 1,981 |

## 14 Share capital (continued)

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

| | Group and Company | | |
|---|---|---|---|
| | 2018 | 2017 | 1 Jan 2017 |
| | $'000 | $'000 | $'000 |
| A final dividend of 0.03 cents per ordinary share (2017: 0.18 cents; 1 January 2017: 0.15 cents) | 174 | 1,043 | 859 |

***Capital management***

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

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

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

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

## 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 2018, the Group held 2,822,000 (2017: 1,638,000; 1 January 2017: Nil) of the Company's shares.

## 18 Loans and borrowings

| | Group and Company | | |
|---|---|---|---|
| | **2018** | **2017** | **1 Jan 2017** |
| | **$'000** | **$'000** | **$'000** |
| **Non-current liabilities** | | | |
| Finance lease liabilities | 81 | 100 | – |
| **Current liabilities** | | | |
| Finance lease liabilities | 19 | 19 | – |
| **Total loans and borrowings** | 100 | 119 | – |

***Finance lease liabilities***

Finance lease liabilities are payable as follows:

| | Future minimum lease payments $'000 | Interest $'000 | Principal $'000 |
|---|---|---|---|
| **Group and Company** | | | |
| **2018** | | | |
| Within one year | 22 | 3 | 19 |
| Between one and five years | 87 | 12 | 75 |
| Over five years | 7 | 1 | 6 |
| | 116 | 16 | 100 |
| **2017** | | | |
| Within one year | 22 | 3 | 19 |
| Between one and five years | 87 | 12 | 75 |
| Over five years | 29 | 4 | 25 |
| | 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** | | | | | |
| **2018** | | | | | |
| Fixed rate finance leases | SGD | 2.38 | 2024 | 116 | 100 |
| **2017** | | | | | |
| Fixed rate finance leases | SGD | 2.38 | 2024 | 138 | 119 |

## 18 Loans and borrowings (continued)

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

The fair values disclosed for finance lease liabilities were classified as level 2 under the fair value hierarchy.

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

| | Finance lease liabilities | |
|---|---|---|
| | **2018** | **2017** |
| | **$'000** | **$'000** |
| **Group and Company** | | |
| **At 1 January** | 119 | – |
| **Changes from financing cash flows** | | |
| Repayment of loans and borrowings | (19) | (12) |
| Interest paid | (3) | (2) |
| **Total changes from financing cash flows** | (22) | (14) |
| **Other changes** | | |
| **Liability-related** | | |
| New finance lease | – | 131 |
| Interest expense | 3 | 2 |
| **Total liability-related other changes** | 3 | 133 |
| **At 31 December** | 100 | 119 |

## 19 Provision for restoration costs

| | Group and Company | | |
|---|---|---|---|
| | **2018** | **2017** | **1 Jan 2017** |
| | **$'000** | **$'000** | **$'000** |
| Balance at 1 January | 337 | 320 | 304 |
| Unwinding of discount | 18 | 17 | 16 |
| Balance at 31 December | 355 | 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 | | |
|---|---|---|---|---|---|---|
| | 2018 $'000 | 2017 $'000 | 1 Jan 2017 $'000 | 2018 $'000 | 2017 $'000 | 1 Jan 2017 $'000 |
| Trade payables | 4,043 | 2,970 | 7,024 | 4,035 | 2,886 | 6,806 |
| Amounts due to subsidiaries | | | | | | |
| – trade | – | – | – | 479 | 751 | 3,481 |
| – non-trade | – | – | – | 430 | – | – |
| Other payables and accruals | 6,204 | 5,228 | 6,265 | 5,829 | 4,442 | 5,357 |
| | 10,247 | 8,198 | 13,289 | 10,773 | 8,079 | 15,644 |

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

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 | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| Revenue from contracts with customers | 62,878 | 73,568 |

As at 31 December 2018, the Group has revenue of $782,000 which is expected to be recognised over the next year as the Group completes the work under contract.

On adoption of SFRS(I) 15, the Group applies the practical expedient in paragraph 121 and does not disclose information about its remaining performance obligations if:

- the performance obligation is part of a contract that has an original expected duration of one year or less; or
- the Group has a right to invoice a customer in an amount that corresponds directly with its performance to date, then it recognises revenue in that amount.

Significant judgements are used to estimate total contract costs to complete. In making these estimates, management has relied on past experience of completed projects. The estimated total contract costs is reviewed every reporting period and adjusted where necessary, with the corresponding effect of change being recognised prospectively from the date of change.

## 21 Revenue (continued)

**Disaggregation of revenue**

In the following table, revenue is disaggregated by geographical markets. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see Note 27).

| | Mechanical | | Electrical, instrumentation and others | | Total | |
|---|---|---|---|---|---|---|
| | 2018 $'000 | 2017 $'000 | 2018 $'000 | 2017 $'000 | 2018 $'000 | 2017 $'000 |
| **Primary geographical markets** | | | | | | |
| Singapore | 57,753 | 64,033 | 4,328 | 8,282 | 62,081 | 72,315 |
| Indonesia | 165 | 1,044 | – | – | 165 | 1,044 |
| India | 202 | 194 | – | – | 202 | 194 |
| Malaysia | 430 | 15 | – | – | 430 | 15 |
| | 58,550 | 65,286 | 4,328 | 8,282 | 62,878 | 73,568 |

## 22 Other income

| | Group | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| Rental income | 47 | 46 |
| Gain on disposal of property, plant and equipment | 57 | 127 |
| Government grants | 22 | 2 |
| Sale of scraps and pinnacle pigs | 567 | 415 |
| Others | 166 | 411 |
| | 859 | 1,001 |

## 23 Finance income and finance costs

| | Group | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| **Finance income** | | |
| Interest income | 424 | 127 |
| **Finance costs** | | |
| Interest expense on loans and borrowings | (3) | (2) |
| Unwinding of discount on site restoration provision | (18) | (17) |
| | (21) | (19) |

## 24 (Loss)/Profit before tax

The following items have been included in arriving at (loss)/profit before tax:

| | Group 2018 $'000 | Group 2017 $'000 |
|---|---|---|
| Staff costs | 33,343 | 36,384 |
| Contribution to defined contribution plans included in staff costs | 1,087 | 1,221 |
| Depreciation of property, plant and equipment | 2,904 | 3,749 |
| Amortisation of intangible asset | 149 | 149 |
| Impairment of intangible asset | 593 | – |
| Impairment of goodwill on consolidation | 1,001 | – |
| Operating lease expenses | 548 | 565 |
| Operating expenses arising from rental of investment properties | 14 | 13 |
| Audit fees paid to: | | |
| - auditors of the Company | 115 | 130 |
| - other auditors | 3 | 2 |
| Non-audit fees paid to auditors of the Company | 12 | 18 |
| Impairment losses recognised on trade receivables | 52 | – |
| Loss on liquidation of a subsidiary | 75 | – |
| Provision for foreseeable losses | – | 2 |
| Net foreign exchange (gain)/loss | (232) | 32 |

## 25 Tax expense

| | Group 2018 $'000 | Group 2017 $'000 |
|---|---|---|
| **Current tax expense** | | |
| Current year | 86 | 337 |
| Under-provision in respect of prior years | 94 | – |
| | 180 | 337 |
| **Deferred tax expense** | | |
| Origination and reversal of temporary differences | 49 | 149 |
| Total tax expense | 229 | 486 |
| ***Reconciliation of effective tax rate*** | | |
| (Loss)/Profit before tax | (3,538) | 2,653 |
| Tax using the Singapore tax rate of 17% (2017: 17%) | (602) | 451 |
| Non-deductible expenses | 829 | 199 |
| Tax exempt income | (76) | (66) |
| Tax incentives | (10) | (148) |
| Under-provision in respect of prior years | 94 | – |
| Others | (6) | 50 |
| | 229 | 486 |

## 26 Earnings per share

***Basic earnings per share***

The calculation of basic earnings per share at 31 December 2018 was based on the (loss)/profit attributable to ordinary shareholders and a weighted-average number of ordinary shares outstanding less treasury shares as follows:

*(Loss)/Profit attributable to ordinary shareholders*

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **$'000** | **$'000** |
| (Loss)/Profit for the year | (3,766) | 2,167 |

*Weighted-average number of ordinary shares*

| | Number of shares 2018 '000 | Number of shares 2017 '000 |
|---|---|---|
| Issued ordinary shares at 1 January | 579,908 | 569,793 |
| Effect of warrants exercised | – | 5,271 |
| Effect of treasury shares | (819) | (153) |
| Weighted-average number of ordinary shares during the year | 579,089 | 574,911 |

***Diluted earnings per share***

Diluted earnings per share is the same as the basic earnings per share as there were no dilutive instruments in issue during the financial year.

## 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 reviews 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.

## 27 Operating segments (continued)

- 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 Professional Engineer ("PE") designed scaffolding.

Other services provided by the Group have been aggregated under the segment "Electrical, instrumentation and others". None of these segments meets any of the quantitative thresholds for determining reportable segments in 2018 and 2017.

In 2018, following the change in CGU (Note 5), tube coating service has been aggregated under the segment "Electrical, instrumentation and others". In the prior year, this service was aggregated under the segment "Mechanical".

This represents a change to the operating segments reported in the previous corresponding period. The previously reported segment results for the year ended 31 December 2017 have been restated to be comparable with the revised segmentation approach as required by SFRS (I) 8 *Operating Segments*.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment (loss)/profit before tax, as included in the internal management reports that are reviewed by the Group's Executive Committee. Segment (loss)/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.

***Information about reportable segments***

| | Mechanical $'000 | Electrical, instrumentation and others $'000 | Total $'000 |
|---|---|---|---|
| **31 December 2018** | | | |
| External revenues | 56,427 | 6,451 | 62,878 |
| Inter-segment revenue | 97 | 1,430 | 1,527 |
| Total revenue | 56,524 | 7,881 | 64,405 |
| Interest income | 344 | 80 | 424 |
| Interest expenses | 3 | – | 3 |
| Depreciation of property, plant and equipment | 2,733 | 171 | 2,904 |
| Amortisation of intangible asset | – | 149 | 149 |
| Reportable segment (loss)/profit before tax | (4,675) | 301 | (4,374) |
| Other material non-cash items: | | | |
| Impairment losses on intangible asset and goodwill | – | 1,594 | 1,594 |
| Reportable segment assets | 56,439 | 9,346 | 65,785 |
| Capital expenditure | 1,614 | 223 | 1,837 |
| Reportable segment liabilities | 10,042 | 425 | 10,467 |

**27 Operating segments (continued)**

| | Mechanical $'000 | Electrical, instrumentation and others $'000 | Total $'000 |
|---|---|---|---|
| **31 December 2017 (Restated)** | | | |
| 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 (loss)/profit before tax | (22) | 2,642 | 2,620 |
| Other material non-cash items: | | | |
| Changes 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 |

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

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Revenues** | | |
| Total revenue for reportable segments | 64,405 | 74,891 |
| Elimination of inter-segment revenue | (1,527) | (1,323) |
| Consolidated revenue | 62,878 | 73,568 |
| **(Loss)/Profit** | | |
| Total (loss)/profit for reportable segments | (4,374) | 2,620 |
| Elimination of inter-segment profit | 790 | – |
| Unallocated segment profits | 46 | 33 |
| Consolidated (loss)/profit before tax | (3,538) | 2,653 |
| **Assets** | | |
| Total assets for reportable segments | 65,785 | 69,718 |
| Investment properties | 1,225 | 1,225 |
| Others | 202 | – |
| Consolidated total assets | 67,212 | 70,943 |

## 27 Operating segments (continued)

| | 2018<br>$'000 | 2017<br>$'000 |
|---|---|---|
| **Liabilities** | | |
| Total liabilities for reportable segments | 10,467 | 9,522 |
| Current tax payable | 176 | 335 |
| Deferred tax liabilities | 1,484 | 1,435 |
| Others | 317 | – |
| Consolidated total liabilities | 12,444 | 11,292 |

**Major customers**

During the financial year ended 31 December 2018, revenue from three major customers of the Group totalled approximately $48,215,000 (2017: $53,943,000), representing 77% (2017: 73%) 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:

| | 2018<br>$'000 | 2017<br>$'000 |
|---|---|---|
| Customer 1 | 32,404 | 28,304 |
| Customer 2 | 10,736 | 14,871 |
| Customer 3 | 5,075 | 10,768 |
| | 48,215 | 53,943 |

## 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.

## 28 Financial risk management (continued)

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

***Credit risk***

Credit risk is the risk of financial loss to the Group resulting from the failure of a customer to settle its financial and contractual obligations to the Group.

The carrying amounts of financial assets and contract assets represent the Group's and the Company's remaining exposure to credit risk. The Group and the Company do not require any collateral in respect of their financial assets.

*Trade receivables and contract assets*

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 $15,477,000 (2017: $10,266,000; 1 January 2017: $26,873,000) of the carrying value of trade receivables and contract assets as at 31 December 2018. No significant credit risk exposure is expected based on historical data of payment statistics from these customers.

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 tries to reduce the market risk by maintaining its long-term relationships with these customers. The Group also tries to reduce its market concentration risk by diversifying its source of revenue.

The Group does not require collateral in respect of trade receivables. The Group does not have trace receivables and contract assets for which no loss allowance is recognised because of collateral.

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

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

The Group assesses credit risk by also monitoring the ageing of its trade receivables and contract assets on an on-going basis.

**28 Financial risk management (continued)**

*Exposure to credit risk*

A summary of the Group's and Company's exposures to credit risk for trade receivables and contract assets is as follows:

| | Group | | |
|---|---|---|---|
| | 2018 | 2017 | 1 Jan 2017 |
| | $'000 | $'000 | $'000 |
| **Not credit-impaired** | | | |
| External credit ratings from S&P at least A+ | 16,371 | 7,502 | 13,952 |
| Other customers: | | | |
| - Four or more years' trading history with the Group | 5,472 | 7,226 | 18,563 |
| - Less than four years' trading history with the Group | 9 | – | – |
| **Total gross carrying value** | 21,852 | 14,728 | 32,515 |
| Loss allowance | (52) | – | – |
| | 21,800 | 14,728 | 32,515 |

| | Company | | |
|---|---|---|---|
| | 2018 | 2017 | 1 Jan 2017 |
| | $'000 | $'000 | $'000 |
| **Not credit-impaired** | | | |
| External credit ratings from S&P at least A+ | 16,371 | 7,502 | 11,370 |
| Other customers: | | | |
| - Four or more years' trading history with the Group | 4,489 | 6,123 | 18,563 |
| - Less than four years' trading history with the Group | 9 | – | – |
| **Total gross carrying value** | 20,869 | 13,625 | 29,933 |
| Loss allowance | (52) | – | – |
| | 20,817 | 13,625 | 29,933 |

**Comparative information under FRS 39**

An analysis of the credit quality of the trade receivables and contract assets that were neither past due nor impaired and the ageing of the trade receivables and contract assets that were past due but not impaired is as follows:

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 1 Jan 2017 | 2018 | 2017 | 1 Jan 2017 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Neither past due nor impaired | 19,301 | 13,773 | 29,476 | 18,337 | 12,779 | 26,992 |
| Past due 0-30 days | 2,366 | 414 | 2,712 | 2,351 | 311 | 2,638 |
| Past due 31-60 days | 120 | 424 | 189 | 116 | 423 | 189 |
| Past due more than 60 days | 13 | 117 | 138 | 13 | 112 | 114 |
| | 21,800 | 14,728 | 32,515 | 20,817 | 13,625 | 29,933 |

## 28 Financial risk management (continued)

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables and contract assets 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 and contract asset, the Group considers any change in the credit quality of the trade receivables and contract assets from the date credit was initially granted up to the reporting dates. The Group has not recognised impairment losses on certain trade receivables and contract assets 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.

*Movements in the allowance for impairment in respect of trade receivables and contract assets*

The movement in the allowance for impairment in respect of trade receivables and contract assets during the year was as follows:

| Group and Company | 2018<br>$'000 |
|---|---|
| **Individual impairments** | |
| At 1 January 2018 as per SFRS(I) 9 | – |
| Impairment loss recognised | 52 |
| At 31 December 2018 as per SFRS(I) 9 | 52 |

*Cash and cash equivalents*

Cash and cash equivalents are held with banks and financial institution counterparties, which are rated AA- to AA+, based on S&P ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and fixed deposits have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and fixed deposits was negligible.

***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.

## 28 Financial risk management (continued)

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements:

| | Carrying amount $'000 | Contractual cash flows $'000 | Less than 1 year $'000 | Between 1 and 5 years $'000 | Over 5 years $'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **31 December 2018** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Loans and borrowings | 100 | (116) | (22) | (87) | (7) |
| Trade and other payables | 10,247 | (10,247) | (10,247) | – | – |
| | 10,347 | (10,363) | (10,269) | (87) | (7) |
| **31 December 2017** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Loans and borrowings | 119 | (138) | (22) | (87) | (29) |
| Trade and other payables | 8,198 | (8,198) | (8,198) | – | – |
| | 8,317 | (8,336) | (8,220) | (87) | (29) |
| **Company** | | | | | |
| **31 December 2018** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Loans and borrowings | 100 | (116) | (22) | (87) | (7) |
| Trade and other payables | 10,773 | (10,773) | (10,773) | – | – |
| | 10,873 | (10,889) | (10,795) | (87) | (7) |
| **31 December 2017** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Loans and borrowings | 119 | (138) | (22) | (87) | (29) |
| Trade and other payables | 8,079 | (8,079) | (8,079) | – | – |
| | 8,198 | (8,217) | (8,101) | (87) | (29) |

***Market risk***

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

***Currency risk***

The Group is exposed to currency risk on sales and purchases 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).

## 28 Financial risk management (continued)

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

| | $'000 |
|---|---|
| **Group and Company** | |
| **31 December 2018** | |
| Trade and other receivables | 58 |
| Cash and cash equivalents | 9,350 |
| Trade and other payables | (128) |
| Net exposure | 9,280 |
| **31 December 2017** | |
| Trade and other receivables | 643 |
| Cash and cash equivalents | 624 |
| Trade and other payables | (367) |
| Net exposure | 900 |
| **1 January 2017** | |
| 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 USD 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 2017.

| | Group and Company<br>Profit or loss<br>$'000 |
|---|---|
| **2018** | |
| USD | (928) |
| **2017** | |
| USD | (90) |

A weakening of the Singapore dollar against USD at 31 December would have had the equal but opposite effect on USD 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 date, the interest rate profile of the Group's and Company's interest-bearing financial instruments, as reported to the management, was as follows:

| | Nominal amount | | |
|---|---|---|---|
| | **2018** | **2017** | **1 Jan 2017** |
| | **$'000** | **$'000** | **$'000** |
| **Group** | | | |
| **Fixed rate instruments** | | | |
| Cash and cash equivalents | 15,138 | 27,297 | 8,805 |
| Finance lease liabilities | (100) | (119) | – |
| | 15,038 | 27,178 | 8,805 |
| **Company** | | | |
| **Fixed rate instruments** | | | |
| Cash and cash equivalents | 10,484 | 15,000 | – |
| Finance lease liabilities | (100) | (119) | – |
| | 10,384 | 14,881 | – |

*Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at FVTPL. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

***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** | **Amortised cost (2017 and 1 January 2017: Loans and receivables)** | **Other financial liabilities** | **Total carrying amount** | **Fair value** |
|---|---|---|---|---|---|
| | | **$'000** | **$'000** | **$'000** | **$'000** |
| **Group** | | | | | |
| **31 December 2018** | | | | | |
| Trade and other receivables* | 12 | 12,635 | – | 12,635 | 12,635 |
| Cash and cash equivalents | 13 | 26,549 | – | 26,549 | 26,549 |
| | | 39,184 | – | 39,184 | 39,184 |
| Finance lease liabilities | 18 | – | 100 | 100 | 92 |
| Trade and other payables | 20 | – | 10,247 | 10,247 | 10,247 |
| | | – | 10,347 | 10,347 | 10,339 |

**28 Financial risk management (continued)**

| | Note | Amortised cost (2017 and 1 January 2017: Loans and receivables) $'000 | Other financial liabilities $'000 | Total carrying amount $'000 | Fair value $'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **31 December 2017** | | | | | |
| Trade and other receivables* | 12 | 10,730 | – | 10,730 | 10,730 |
| Cash and cash equivalents | 13 | 35,648 | – | 35,648 | 35,648 |
| | | 46,378 | – | 46,378 | 46,378 |
| Finance lease liabilities | 18 | – | 119 | 119 | 110 |
| Trade and other payables | 20 | – | 8,198 | 8,198 | 8,198 |
| | | – | 8,317 | 8,317 | 8,308 |
| **1 January 2017** | | | | | |
| Trade and other receivables* | 12 | 16,408 | – | 16,408 | 16,408 |
| Cash and cash equivalents | 13 | 18,211 | – | 18,211 | 18,211 |
| | | 34,619 | – | 34,619 | 34,619 |
| Trade and other payables | 20 | – | 13,289 | 13,289 | 13,289 |
| **Company** | | | | | |
| **31 December 2018** | | | | | |
| Trade and other receivables* | 12 | 12,578 | – | 12,578 | 12,578 |
| Cash and cash equivalents | 13 | 20,777 | – | 20,777 | 20,777 |
| | | 33,355 | – | 33,355 | 33,355 |
| Finance lease liabilities | 18 | – | 100 | 100 | 92 |
| Trade and other payables | 20 | – | 10,773 | 10,773 | 10,773 |
| | | – | 10,873 | 10,873 | 10,865 |
| **31 December 2017** | | | | | |
| Trade and other receivables* | 12 | 10,311 | – | 10,311 | 10,311 |
| Cash and cash equivalents | 13 | 22,030 | – | 22,030 | 22,030 |
| | | 32,341 | – | 32,341 | 32,341 |
| Finance lease liabilities | 18 | – | 119 | 119 | 110 |
| Trade and other payables | 20 | – | 8,079 | 8,079 | 8,079 |
| | | – | 8,198 | 8,198 | 8,189 |

## 28 Financial risk management (continued)

| | Note | Amortised cost (2017 and 1 January 2017: Loans and receivables) $'000 | Other financial liabilities $'000 | Total carrying amount $'000 | Fair value $'000 |
|---|---|---|---|---|---|
| **Company** | | | | | |
| **1 January 2017** | | | | | |
| Trade and other receivables* | 12 | 15,389 | – | 15,389 | 15,389 |
| Cash and cash equivalents | 13 | 5,725 | – | 5,725 | 5,725 |
| | | 21,114 | – | 21,114 | 21,114 |
| 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:

| | 2018 % | 2017 % | 1 Jan 2017 % |
|---|---|---|---|
| Finance lease liabilities | 2.38% | 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.

### *(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.

## 29 Determination of fair values (continued)

### *(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 to maturity.

## 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. 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 | |
|---|---|---|
| | **2018** | **2017** |
| | **$'000** | **$'000** |
| Directors' fees | 122 | 122 |
| Directors' remunerations | 566 | 686 |
| | 688 | 808 |

## 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 | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Within one year | 455 | 477 | 455 | 474 |
| Between one and five years | 432 | 748 | 432 | 741 |
| | 887 | 1,225 | 887 | 1,215 |

## 31 Commitments (continued)

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.

***Minimum lease receivables***

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

| | Group and Company | |
|---|---|---|
| | **2018** | **2017** |
| | **$'000** | **$'000** |
| Within one year | 27 | 44 |
| Between one and five years | – | 16 |
| | 27 | 60 |

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

## 32 Explanation of transition to SFRS(I) and adoption of new standards

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 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.

As stated in Note 2.1, these are the first financial statements of the Group and of the Company prepared in accordance with SFRS(I).

The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended 31 December 2018, the comparative information presented in these financial statements for the year ended 31 December 2017 and in the preparation of the opening SFRS(I) statement of financial position at 1 January 2017 (the Group's date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

In preparing the opening SFRS(I) statement of financial position, the Group has adjusted amounts reported previously in the financial statements prepared in accordance with previous FRS.

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

**32 Explanation of transition to SFRS(I) and adoption of new standards (continued)**

- 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) 2 *Share-based Payment* arising from the amendments to IFRS 2 – *Classification and measurement of share-based payment transactions* issued by the IASB in June 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 I – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;

- requirements in SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an associate or joint venture at fair value* issued by the IASB in December 2016; and

- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

The application of the above standards and interpretations do not have a material effect on the financial statements except for SFRS(I) 15.

**Summary of financial impact**

The line items on the Group's and Company's financial statements that were adjusted with significant impact arising from the application of SFRS(I) 15 as described above are summarised below. There were no material adjustments to the Group's statement of cash flows for the year ended 31 December 2017 arising on transition.

| | | 2017 | |
|---|---|---|---|
| | FRS framework $'000 | Increase/ (Decrease) SFRS(I) 15 $'000 | SFRS(I) framework $'000 |
| **The Group** | | | |
| Contract assets | – | 5,672 | 5,672 |
| Contract liabilities | – | 868 | 868 |
| Trade and other receivables | 15,970 | (4,534) | 11,436 |
| Contract work-in-progress | 1,138 | (1,138) | – |
| Excess of progress billings over contract work-in-progress | 868 | (868) | – |
| **The Company** | | | |
| Contract assets | – | 5,181 | 5,181 |
| Contract liabilities | – | 861 | 861 |
| Trade and other receivables | 15,230 | (4,225) | 11,005 |
| Contract work-in-progress | 956 | (956) | – |
| Excess of progress billings over contract work-in-progress | 861 | (861) | – |

**32 Explanation of transition to SFRS(I) and adoption of new standards (continued)**

**A. SFRS(I) 1**

In adopting SFRS(I) in 2018, the Group has applied the transition requirements in SFRS(I) 1 with 1 January 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) that are effective as at 31 December 2018 on a retrospective basis, as if such accounting policy had always been applied, subject to the mandatory exceptions and optional exemptions in SFRS(I) 1. The application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not have any significant impact on the financial statements.

**B. 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 adopted SFRS(I) 15 in its financial statements using the retrospective approach. All requirements of SFRS(I) 15 have been applied retrospectively, except for the application of the practical expedients as described below, and the information presented for 2017 has been restated.

The Group has applied the following practical expedients as allowed under SFRS(I) 1.

- Completed contracts that began and ended in the same annual reporting period in 2017 and contracts completed at 1 January 2017 are not restated.
- For contracts modified before 1 January 2017, the Group has reflected the aggregate effect of all of the modifications that occurred before 1 January 2017 when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations. Had the Group elected not to apply this practical expedient, the amount of revenue recorded for the prior year would have been higher.
- For the year ended 31 December 2017, the Group did not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Group expects to recognise that amount as revenue.

The impact upon the adoption of SFRS(I) 15, including the corresponding tax effects, are described below.

**Presentation of contract assets and liabilities**

On adopting SFRS(I) 15, the Group and Company have changed the presentation of the following amounts:

a) Contract assets in respect of the mechanical engineering and electrical instrumentation business which relate primarily to the Group's and the Company's right to consideration for work completed but have not been billed at the reporting date.

**Group**

As at 31 December 2017, $1,138,000 and $4,534,000 (1 January 2017: $12,407,000 and $5,441,000) which were presented as "contract work-in-progress" and "trade receivables" respectively, under FRS have been reclassified to contract assets.

**32 Explanation of transition to SFRS(I) and adoption of new standards (continued)**

**B. SFRS(I) 15 (continued)**

**Presentation of contract assets and liabilities (continued)**

**Company**

As at 31 December 2017, $956,000 and $4,225,000 (1 January 2017: $11,603,000 and $4,838,000) which were presented as “contract work-in-progress” and “trade receivables” respectively, under FRS have been reclassified to contract assets.

b) Contract liabilities in respect of the mechanical engineering and electrical instrumentation business which relate mainly to advance consideration received from customers and progress billings in excess of the Group’s and Company’s right to the consideration.

**Group**

As at 31 December 2017, $868,000 (1 January 2017: $266,000) which was presented as “excess of progress billings over contract work-in-progress” under FRS has been reclassified to contract liabilities.

**Company**

As at 31 December 2017, $861,000 (1 January 2017: $266,000) which was presented as “excess of progress billings over contract work-in-progress” under FRS has been reclassified to contract liabilities.

**33 New standards and interpretations not yet adopted**

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s 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*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)
- *Previously Held Interest in a Joint Operation* (Amendments to SFRS(I) 3 and 11)

**33 New standards and interpretations not yet adopted (continued)**

**Applicable to 2019 financial statements (continued)**

- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to SFRS(I) 1-12)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to SFRS(I)1-23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to SFRS(I)1-19)

**Applicable to 2021 financial statements**

- SFRS(I) 17 *Insurance Contracts*

**Mandatory effective date deferred**

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to SFRS(I) 10 and SFRS(I) 1-28)

The Group has assessed the estimated impact that initial application of SFRS(I) 16 will have on the financial statements. The Group's assessment of SFRS(I) 16, which is expected to have a more significant impact on the Group, is as described below.

**SFRS(I) 16**

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Group and the Company plan to apply SFRS(I) 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting SFRS(I) 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group and the Company plan to apply the practical expedient to grandfather the definition of a lease on transition. This means that they will apply SFRS(I) 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with SFRS(I) 1-17 and SFRS(I) INT 4.

***i. The Group and the Company as lessee***

The Group and the Company expect to measure lease liabilities by applying a single discount rate to their portfolio. Furthermore, the Group and the Company are likely to apply the practical expedient to recognise amounts of ROU assets equal to their lease liabilities at 1 January 2019. For lease contracts that contain the option to renew, the Group and the Company are expected to use hindsight in determining the lease term.

**33 New standards and interpretations not yet adopted (continued)**

***i. The Group and the Company as lessee (continued)***

The Group and the Company expect their existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16.

As at 1 January 2019, the Group and the Company expect an increase in ROU assets of $827,000, an increase in lease liabilities of $852,000 and a decrease in retained earnings of $25,000.

The nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

No significant impact is expected for the Group's and the Company's finance leases.

***ii. 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.

No significant impact is expected for other leases in which the Group is a lessor.

**34 Subsequent event**

On 29 January 2019, the Company announced that it is in advance discussions to enter into a joint venture ("NewCo") with an owner of a fabrication company in North America focusing on the oil and gas and petrochemical industries.

Investment in NewCo will enable the Group to have quicker access to the oil and gas and petrochemical industries in North America. NewCo, besides providing fabrication services, tapping on the Group's know how, will also be providing field service to its customers. This would allow Newco to undertake projects of higher value and establish new customers.

On 22 March 2019, the Company announced that the external due diligence (financial, tax and legal) ("EDD") has been completed and their findings were tabled to the Board of Directors. Further due diligence was conducted by the Group's senior finance, engineering and project management personnel to address issues raised by EDD and queries from Board of Directors.

The investment/joint venture will be structured in light with the findings of the EDD. The Company, through its legal counsel, will commence the preparation of the necessary investment/joint venture agreements. The investment/joint venture will be made conditional until the Company receives the necessary approvals from the relevant authorities and shareholders at an extraordinary general meeting.

# STATISTICS OF SHAREHOLDINGS

*As at 18 March 2019*

| | | |
|---|---|---|
| **TOTAL NUMBER OF ISSUED SHARES** | : | 581,546,400 |
| **TOTAL NUMBER OF ISSUED SHARES EXCLUDING TREASURY SHARES AND SHARES HELD BY A SUBSIDIARY (IF ANY)** | : | 578,724,400 |
| **TOTAL NUMBER AND PERCENTAGE OF TREASURY SHARES** | : | 2,822,000 (0.49%) |
| **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 |

**DISTRIBUTION OF SHAREHOLDINGS**

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 - 99 | 192 | 14.19 | 2,306 | 0.00 |
| 100 - 1,000 | 191 | 14.12 | 183,436 | 0.03 |
| 1,001 - 10,000 | 271 | 20.03 | 1,682,399 | 0.29 |
| 10,001 - 1,000,000 | 674 | 49.81 | 69,368,053 | 11.99 |
| 1,000,001 AND ABOVE | 25 | 1.85 | 507,488,206 | 87.69 |
| **TOTAL** | **1,353** | **100.00** | **578,724,400** | **100.00** |

**TWENTY LARGEST SHAREHOLDERS**

| NO. | NAME | NO. OF SHARES | % |
|---|---|---|---|
| 1 | CHENG WOEI FEN | 278,997,600 | 48.21 |
| 2 | QUEK KIAN HUI (GUO JIANHUI) | 86,376,800 | 14.93 |
| 3 | GABRIEL QUEK KIAN TECK | 33,516,000 | 5.79 |
| 4 | PHILLIP SECURITIES PTE LTD | 20,257,950 | 3.50 |
| 5 | OCBC SECURITIES PRIVATE LIMITED | 11,483,800 | 1.98 |
| 6 | UOB KAY HIAN PRIVATE LIMITED | 9,618,000 | 1.66 |
| 7 | SINGAPORE WAREHOUSE CO PTE LTD | 9,400,000 | 1.62 |
| 8 | DBS NOMINEES (PRIVATE) LIMITED | 8,600,646 | 1.49 |
| 9 | LIN YAN | 7,266,000 | 1.26 |
| 10 | GLOBAL TRADE INVESTMENT MANAGEMENT PTE LTD | 7,095,000 | 1.23 |
| 11 | ABN AMRO CLEARING BANK N.V. | 6,538,500 | 1.13 |
| 12 | NG HIAN CHOW | 3,888,000 | 0.67 |
| 13 | KOH SER KIONG | 3,335,000 | 0.58 |
| 14 | QUEK KENG SIONG | 2,651,400 | 0.46 |
| 15 | MAYBANK KIM ENG SECURITIES PTE. LTD. | 2,578,910 | 0.45 |
| 16 | CHEN ENG SHEE | 2,000,000 | 0.35 |
| 17 | KHOO SWEE JIN | 2,000,000 | 0.35 |
| 18 | TAY HWA LANG | 1,870,000 | 0.32 |
| 19 | TAN HAI PENG MICHEAL | 1,800,000 | 0.31 |
| 20 | CITIBANK NOMINEES SINGAPORE PTE LTD | 1,490,000 | 0.26 |
| | **TOTAL** | **500,763,606** | **86.55** |

# STATISTICS OF SHAREHOLDINGS

*As at 18 March 2019*

## RULE 723 COMPLIANCE

Based on the information available to the Company as at 18 March 2019, approximately 29.3% 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 of the Singapore Exchange Securities Trading Limited.

## SUBSTANTIAL SHAREHOLDERS

| | NO. OF SHARES | | NO. OF SHARES | |
|---|---|---|---|---|
| | **Deemed Interest** | **%** | **Deemed Interest** | **%** |
| CHENG WOEI FEN* | 278,997,600 | 48.21% | 36,167,400 | 6.25% |
| GABRIEL QUEK KIAN TECK | 33,516,000 | 5.79% | 0 | 0 |
| QUEK KIAN HUI | 86,376,800 | 14.93% | 0 | 0 |

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

## TREASURY SHARES

As at 18 March 2019, the Company held 2,822,000 treasury shares, representing 0.49% 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 at Darjeeling Board Room, 4th Floor, Trade Association Hub, 9 Jurong Town Hall Road, Jurong Town Hall, Singapore 609431 on Tuesday, 23 April 2019 at 3.00 p.m., for the following purposes:

**ORDINARY BUSINESSES**

1. To receive and adopt the audited financial statements for the financial year ended 31 December 2018 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) Lau Teik Soon (Regulation 98) **[Resolution 2]**
   *[See Explanatory Note 1]*

   ii) David Tan Chao Hsiung (Regulation 98) **[Resolution 3]**
   *[See Explanatory Note 2]*

3. To declare a first and final dividend of 0.03 cents per ordinary share tax-exempt (one-tier) for the financial year ended 31 December 2018. **[Resolution 4]**

4. To approve Directors' fees of up to S$122,000 for the financial year ending 31 December 2019 to be payable quarterly in arrears (2018: 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 BUSINESSES**

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 on a *pro-rata* basis pursuant to this Resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) 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 (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) 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 and subsidiary holdings, if any) 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 ("AGM") of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier."
*[See Explanatory Note 3]*

8. Proposed renewal of the authority to issue shares under the MSE Performance Share Plan **[Resolution 8]**

"That, pursuant to Section 161 of the Companies Act, the Directors of the Company be authorised and empowered to offer and grant performance shares under the MSE Performance Share Plan and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the vesting of share awards under the MSE Performance Share Plan, whether granted during the subsistence of this authority or otherwise, Provided Always that the aggregate number of additional ordinary shares to be issued pursuant to the MSE Performance Share Plan and any other share option scheme/share-based incentive schemes of the Company shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier."
*[See Explanatory Note 4*]

9. Proposed renewal of the share purchase mandate **[Resolution 9]**

"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 and subsidiary holdings, if any) of the Company (as ascertained as at the date of AGM 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 AGM 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 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 AGM 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 5]*

**By Order of the Board**

Chew Kok Liang
Company Secretary
Singapore, 8 April 2019

# NOTICE OF ANNUAL GENERAL MEETING

***Explanatory Notes:***

1. **Lau Teik Soon,** if re-elected, will be considered an independent non-executive director and will remain as the Chairman of the Nominating Committee and a member of both the Audit and the Remuneration Committees. Please refer to page 17 of the Corporate Governance in the Annual Report for the detailed information as required pursuant to Rule 720(6) of the Listing Manual of SGX-ST.

2. **David Tan Chao Hsiung,** if re-elected, will be considered an independent non-executive director and will remain as the Lead Independent Director, Chairman of the Audit Committee and a member of both the Remuneration and the Nominating Committees. Please refer to page 16 to page 17 of the Corporate Governance in the Annual Report for the detailed information as required pursuant to Rule 720(6) of the Listing Manual of SGX-ST.

3. **Resolution 7,** if passed, will empower the Directors of the Company, effective until the conclusion of the next 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 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) 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 and subsidiary holdings, if any) is based on the Company's total number of issued shares (excluding treasury shares and subsidiary holdings, if any) 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.

4. **Resolution 8,** if passed, will empower the Directors of the Company, from the date of this AGM until the date of the next 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 in the Company pursuant to the vesting of performance shares granted or to be granted pursuant to the MSE Performance Share Plan, up to an aggregate (together with any other share option schemes/share-based incentive schemes of the Company) not exceeding in total 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company from time to time.

5. **Resolution 9** 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 2018 are set out in greater detail in the Addendum despatched together with the Annual Report 2018.

***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 AGM of the Company. 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 AGM, 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 AGM.*

***Personal data privacy:***

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM of the Company 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 AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (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 (%) |
|---|---|---|---|
| | | | |

or failing *him/her/them, the Chairman of the meeting 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 at Darjeeling Board Room, 4th Floor, Trade Association Hub, 9 Jurong Town Hall Road, Jurong Town Hall, Singapore 609431 on Tuesday, 23 April 2019 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 2018 and the statement by Directors and report of the Auditors thereon. | | |
| 2 | Re-election of Lau Teik Soon as a Director | | |
| 3 | Re-election of David Tan Chao Hsiung as a Director | | |
| 4 | First and Final Dividends | | |
| 5 | Approval of Directors' fees for financial year ending 31 December 2019 | | |
| 6 | Re-appointment of Messrs KPMG LLP as Auditors | | |
| 7 | Authority to allot and issue shares and convertible securities | | |
| 8 | Proposed renewal of the authority to issue shares under the MSE Performance Share Plan | | |
| 9 | 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 ______________ 2019

| 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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postage
stamp
here

**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 8 April 2019.

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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*

Lim Poon Kheng
*Finance Director*

## COMPANY SECRETARY

Chew Kok Liang

## 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 and Chartered Accountants
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581
(Engagement partner for year ended 31 December 2018:
Ms Voo Poh Jee)

文祥
MUN SIONG
ENGINEERING LIMITED

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Singapore 638496
Tel: (65) 6411 6570
Fax: (65) 6862 0218

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