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MUN SIONG ENGINEERING LIMITED



# PERSISTENT PROGRESSION

ANNUAL  
REPORT  
2020

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## VISION

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

## MISSION

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.

## CORE VALUES

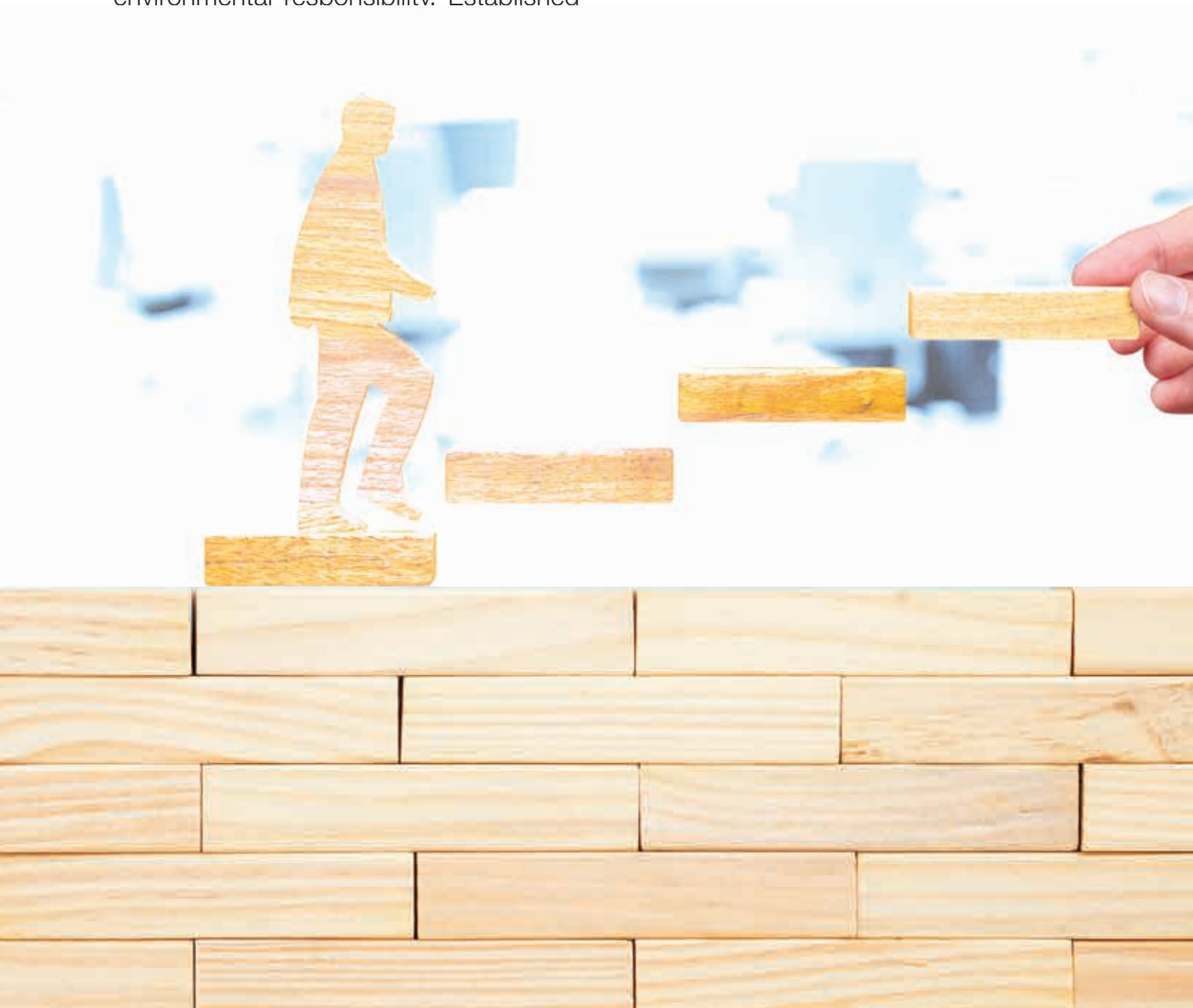
- Safety
- Quality
- Customer
- Focus
- Leadership
- Teamwork



## 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.





## CORPORATE ROADMAP



- Incorporated Mun Siong Engineering Pte Ltd

- Expanded overseas to execute projects in Malaysia & Indonesia

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



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

- Acquired Wing Wah Industrial Services Pte Ltd to strengthen and further enhance our Rotating Equipment Capabilities

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



- Mun Siong Engineering Limited re-structured Senior Management Team & embarked on the Journey for digitisation and mechanisation

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

- Integration of OHM Engineering Pte Ltd into Mun Siong Engineering Limited. This facilitates transparency in streamlining of the operations



- Incorporated a joint venture company in Malaysia – HIMS Integrated Services Sdn Bhd
- Incorporated a Taiwan branch office
- Completion of integration of OHM Engineering Pte. Ltd.

- Incorporated a company in Malaysia – Pegasus Advance Engineering Sdn Bhd





## CORPORATE STRUCTURE



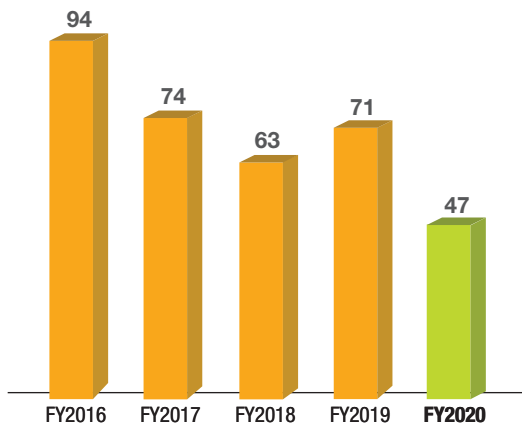
## OUR INTEGRATED SERVICES

- 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)
- 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

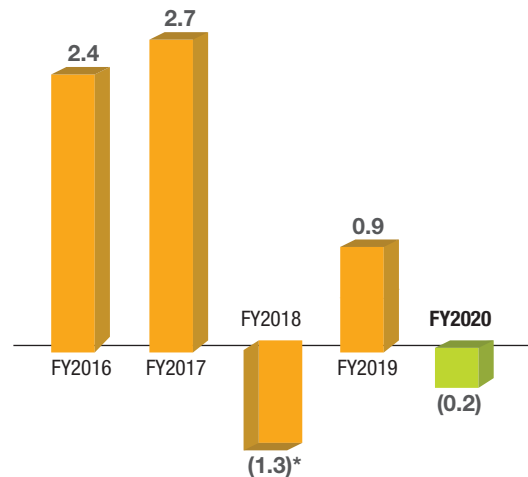


## GROUP FINANCIAL HIGHLIGHTS

### GROUP REVENUE S\$ (M)

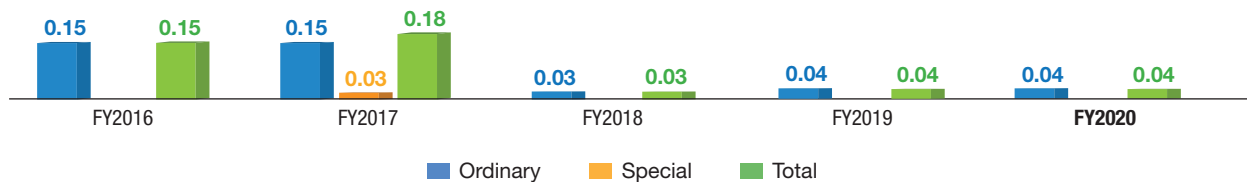


### GROUP PROFIT / (LOSS) BEFORE TAX S\$ (M)

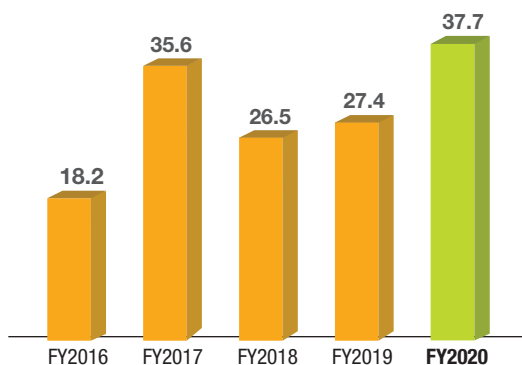


\*exclude impairments and one off losses/expenses

### DIVIDEND RATE PER SHARE (CENTS)



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



### FINANCIAL CALENDAR FOR FY2021

25 February 2021	Announcement of FY2020 Results
23 April 2021	Annual General Meeting for FY2020
5 August 2021 (tentative)	Announcement of half yearly results 2021
17 February 2022 (tentative)	Announcement of FY2021 Results



## EXECUTIVE CHAIRLADY MESSAGE



**Cheng Woei Fen**  
(Executive Chairlady)

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

With all the preparatory work done in securing a wider coverage of our maintenance services to our long-term business partners, we entered FY2020 with expectation as well as with an uneasy heart for Mun Siong Engineering [the “Company” or “Mun Siong and its related companies (the “Group”).]

We were prepared to face another year of challenges that had raged the process industry since 2013.

The spread of Covid-19 has taken the world by surprise. Many countries have encountered near total shut down to avoid further escalation in infections among its populations. In the absence of an antidote (vaccine), human lives continue to be fragile. Relating this to Mun Siong – the lives of our entire workforce of more than 900 people came under threat.

We called FY2020 a Covid-19 pandemic year. An unforgettable year that everyone in all businesses struggled for survival. Therefore, for this report, I have made a departure from traditions to focus mainly on economic performance and share with our shareholders on what makes Mun Siong special and different.

Mun Siong was founded as a people centric cultured organization. The determination and commitment have helped to drive the Group forward and is a source of strength to me and my fellow board members.

To fulfil my stewardship to many that relies on us to generate monetary returns on their investments or business partners who have entrusted us to ensure uninterrupted operations of their plants and facilities, that form a significant part of their global operations, I would humbly seek your patience.

### Our people – what built Mun Siong since our founding 51 years ago:

#### *Foreign Workers' matters during Circuit Breaker:*

Escalating high cluster infection rates in the dormitories where more than 900 of our direct employed foreign workers reside in, needed our full attention and decisive actions. During the first half of FY2020, when Singapore was in Phase 1 of the Circuit Breaker, attending to the well-being of our direct employees took priority over our core business.

We worked swiftly and very closely with the various government agencies with trust built between us and employees over the years, we were able to stay ahead.

Towards the end of August 2020 when all of our workers were allowed to be deployed, our final tally showed 18.4% of our total work force had tested positive for Covid-19. They have since fully recovered. The relatively low infection rate was partly due to simple basic efforts: (i) arranging their daily meals directly delivered to their doorsteps to avoid intermingling among other non Mun Siong workers and (ii) our Human Resource team's effort in keeping continuous communication with our workers via group chat and text messages, educating them the importance of hygiene and social distancing. Our management also continued the communication link with the workers, to let them know that they were not fighting the battle alone.

#### *Job security:*

As major global economies came under threat of depression arising from near total lockdowns, the business model of our business partners came under close scrutiny from various stakeholders. This translates to disposal of marginal performing operating assets (improving liquidity and returns), major cut-backs in capital expenditure (reduction of debts and conserving cash), major reduction of workforce (reducing operating costs to improve profitability and remain competitive) and strong push towards renewal energy (new direction). These developments have immediate impact on how the Group will work together with our business partners.

The pandemic has seen many companies making deep cutbacks to their workforce to survive. We are proud to say that our workforce did not have to undergo such ordeal or uncertainty, which is demoralising. Due to increase in potential work orders from the enlarged maintenance areas awarded to the Group, with the strong support and committed collaboration from our business partners and government agencies, the Group will embark on the journey to transform the way we used to carry out the work; in order to manage the over reliance on manual workers.

The Group will continue, and have always been, a responsible and fair employer. All employees will be provided equal opportunities to upgrade, to advance and to grow with the Group.



## EXECUTIVE CHAIRLADY MESSAGE

### Succession planning:

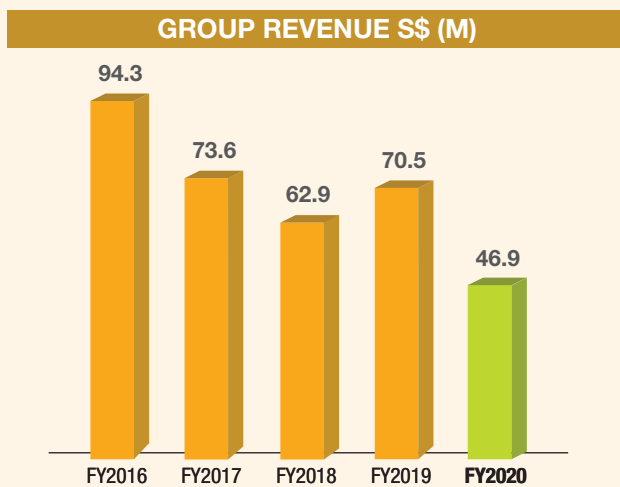
Recently, with the support of the Non-Executive Independent Directors, I have appointed Quek Kian Hui to chair the executive committee. He joined Mun Siong in 2014, in the midst of a difficult point in our industry, and was involved in numerous challenging situations at our various worksites.

The executive committee, with accountability to the Board of Directors, comprising the operational directors – reign over all operating decisions, such as budgetary controls, commitments to new works and tenders, finance and treasury functions.

I will continue to be a member of the committee and provide advisory support to ensure a seamless transition. At the same time, Kian Hui will assume the Executive Deputy Chairman role in the Board of Directors. This will allow him to lead, initiate and champion strategies.

### Stewardship to financial resources:

#### Revenue:

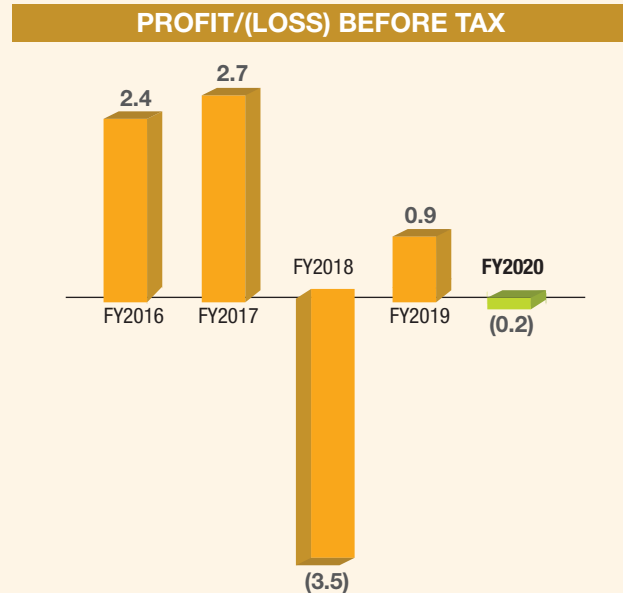


In FY2020, our revenue was badly affected by Covid-19. It took a steep decline from \$70.5 million (FY2019) to \$46.9 million, \$23.6 million or 33.5% decline. The headwinds in the industry were already strong and together with Covid-19, the gale force winds turned into a hurricane. Budgets that were carefully developed 3 months ago became impossible to accomplish. The decline was the worse we have ever encountered since our listing on the mainboard on the SGX-ST in 2010.

Malaysia operations, which we gained a foothold since March 2019 with the contract awarded from Petronas, was unable to move into full swing. Our momentum was disrupted by the Movement Control Order imposed by the government.

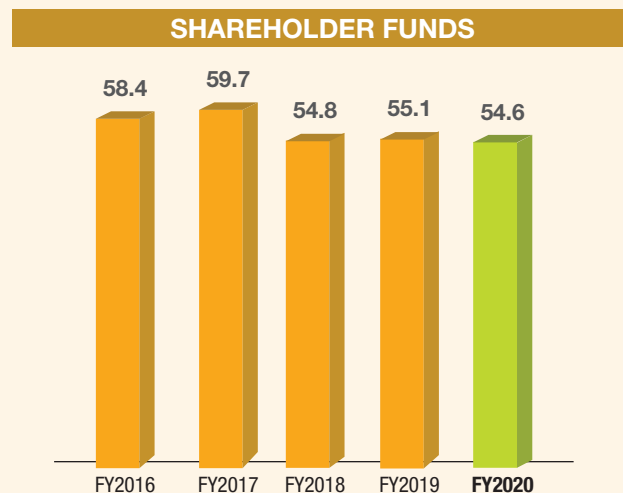
In Taiwan, we did not secure any major jobs, like the turnaround that we successfully executed in FY2019 (worth \$7.9 million), instead we kept our workforce occupied by taking on maintenance jobs (worth \$1.4 million).

### Losses for FY2020:



Without the Singapore financial support from the Singapore Government, we would have achieved a loss before taxation of \$8.4 million in FY2020. This was unlike in FY2019 where we achieved a net profit before tax of \$0.9 million. With the support, we were able to narrow our losses before tax to \$0.2 million for FY2020.

### Financial Position Review:



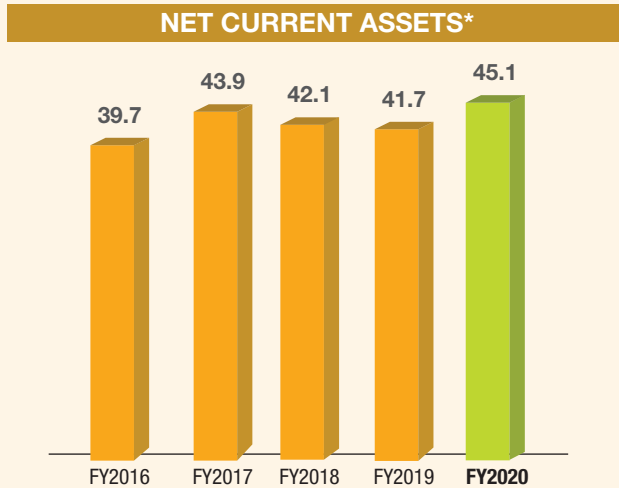
Shareholders' funds as at 31 December 2020 stood at \$54.6 million, on a group basis, comparable to the previous financial year, as the losses after tax incurred in FY 2020 was \$0.5 million.





## EXECUTIVE CHAIRLADY MESSAGE

*Net working capital:*



\* net working capital: current assets less current liabilities

We were cautious during this pandemic as our customers sought longer credit terms and suppliers asked for quicker payments. We drew down the loan provided by the Singapore Government, as a backup support, to help us tide through the year. We were able to maintain a networking capital of \$45.1m as at 31 December 2020. This will allow the Group greater facilities in executing its business strategies or undertaking major projects when opportunities arises.

### Review of Singapore, Malaysia and Taiwan operations:

#### *Singapore:*

It is heartening that two of our key business partners, that we have faithfully served for almost 100 years in aggregate, have again renewed their maintenance contracts with us during the financial year. The renewal came with substantial increase in the area of our work coverage in their respective plants and facilities. To-date, we continue to receive more work orders from these business partners.

During the financial year, we have completed a project work for a new business partner that we have pursued for years. We believe that this relationship will be furthered with more work orders.

We are very thankful for all these opportunities and the confidence our business partners have placed on us.

Although these are joyous moments, they also raise serious concerns for us. We continue to face difficulties in increasing the number of our direct employed workforce to execute these increased work orders. Covid-19 continues to rage in countries that we recruit our workers from, and this has resulted in limited entry approvals by the Singapore government to grant their arrivals into Singapore. To fulfil our immediate contractual obligations, it is inevitable that subcontractors have to be engaged, which are costly compared to our direct employed. We have to sacrifice a significant portion of our profits in engaging manpower from these subcontractors. Such sacrifices are

necessary to preserve the relationship built over the years. On the positive side, we would have gained the trust and confidence of our business partners which will benefit us in the longer term; a trade off that will certainly be beneficial to the Group.

#### *Malaysia operations:*

Our proactive engagements with Petronas have gained further tractions. These engagements are critical as it builds confidence and provide further access to work opportunities. As the incumbent contractors vacate and the worksites assumed gradually by us, work opportunities will likely increase.

These positive developments can also quickly dissipate if there are spikes in Covid-19 infection rates. On 1 February 2021, entry into Petronas' Pengerang Integrated Complex, where our work sites are located, has been placed under entry restrictions. Access since then have been restricted to contractors performing critical and essential works.

To support our work at Petronas' Pengerang Integrated Complex, we have announced on 5 March 2021 to acquire a piece of land in Johor to establish a fabrication and workshop facilities. These facilities will initially support work orders from Petronas and subsequently work orders from other potential business partners.

#### *Taiwan operations:*

Towards the second half of FY2020, we have made a number of bids for both major works like turnaround and long term maintenance works. The turnaround work undertaken in FY2019, which was successfully completed, has provided us the much needed credentials in that market.

Establishing facilities in Taiwan has become essential as it is a pre-requisite in the tender process and a demonstration of commitments to potential business partners. During the financial year, we have leased a yard, fitted it to meet both our potential job requirements and obtained the necessary certifications.

#### **Land and Building at 35 Tuas Road:**

The current lease has been extended for a further 3 years ending August 2023.

In October 2020, we participated in an invited tender for a premise in the Jurong area. Unfortunately, we were not successful – and our search will have to continue. As a contingency, we will move some of our facilities to Malaysia (when the workshop is fully constructed) and Singapore will continue to serve business partners whose jobs requires short lead time.

We are also in discussions with Jurong Town Corporation ("JTC") on our obligations towards reinstatement upon the lease expiry. As we were unable to obtain clear guidance, we have increased our reinstatement provisions to \$1.3 million.



## EXECUTIVE CHAIRLADY MESSAGE

### Dividends:

We do not have a fixed dividend policy however sharing has always been part of Mun Siong's culture.

Regardless of how difficult the operating environment is, we have never forgotten to put aside something for our shareholders. Like previous years, we have proposed a final exempt (one tier) proposed dividends of 0.04 cents per share, subjected to shareholders' approval at the coming annual general meeting. The total proposed dividends payable is \$0.2 million. As we have incurred a loss for FY2020, the dividends payable will be met from our past positive retained earnings.

The Group's cash balances as at 31 December 2020 was \$37.7 million. However, the increases in work orders from enlarged coverage arising from recent long term maintenance contract renewals, continuing investments into operating equipment, work orders arising from Malaysia and Taiwan, investments in land and buildings and facilities in Malaysia, Taiwan and Singapore and monthly loan repayments – these taken in aggregate are significant. We will have to prioritize our commitments and apply our limited financial resources prudently.

We must continue to maintain a strong net working capital position. It has allowed us greater flexibilities in executing our business strategies or undertaking major projects when they arise.

### Sustainability:

The Group recognised that embracing sustainable practices is a business priority. This is important as the Group will be reaching out to the renewables and pharmaceutical industries in the near future whose sustainability is one of the key evaluation considerations. Our Sustainability Report FY2020 will be available on 14 April 2021. Please refer to our website at [www.mun-siong.com](http://www.mun-siong.com).

### Appreciation

We are grateful to the Singapore Government, without the financial support, our working capital would have been severely weakened and our ability to continue as a going concern may be put into question.

I would like to take this opportunity to thank Chew Kok Liang, who has resigned as the Company Secretary in February 2021, for his contributions.

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 for their dedication, hard work and commitment. Finally, 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 continual support.

Cheng Woei Fen

Executive Chairlady



## BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

### BOARD OF DIRECTORS



*Cheng Woei Fen  
(Executive Chairlady)*



*Quek Kian Hui  
(Executive Deputy Chairman)*



*David Tan Chao Hsiung  
(Lead Independent Director)*



*Lau Teik Soon  
(Independent Director)*



*Mah Kai Leong  
(Independent Director)*

### EXECUTIVE COMMITTEE



*From Left to Right: Jass Jumaat Satin, Lin Yan, Quek Kian Hui (Chairman), Cheng Woei Fen (Adviser), John L. Parkinson, Teo Kheng Hock, Eugene Lim Poon Kheng & Narayanan Parthasarathy*



## BOARD OF DIRECTORS' PROFILE

### CHENG WOEI FEN

*Executive Chairlady*

Madam 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 businesses. With effect from 25 February 2021, she will step down as the chairlady of the executive committee but continues as adviser to this 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 Deputy Chairman*

Mr Quek has served as an Executive Director of the Group since being appointed by the Board on 16 June 2014 and was last re-elected on 26 June 2020. On 25 February 2021, he was appointed as the Executive Deputy Chairman as well as Chairman of the executive committee.

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 Deputy Chairman 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 responsibilities 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 Lead Independent Director*

Mr Tan was appointed a Director on 1 October 2012 and last re-elected on 23 April 2019. 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 the lead 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).

### LAU TEIK SOON

*Non-Executive Independent Director*

Dr Lau Teik Soon was first appointed a Director on 9 April 2013 and last re-elected on 23 April 2019. 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 holds a few degrees including Doctor of Philosophy in International Relations (Australian National University) and Bachelor of Laws, Honours (University of London).

### MAH KAI LEONG

*Non-Executive Independent Director*

Mr Mah Kai Leong was first appointed on 4 March 2020 and last re-elected on 26 June 2020. He is the Chairman of the Remuneration Committee and a member of both the Audit and the Nominating Committee.

Mr Mah has almost 40 years of operational and management experience with Singapore Refining Company ("SRC"), which is in the Petroleum and Petrochemical industry. During his earlier days with SRC, he was involved in project management and refinery operational planning. Mr Mah was later assigned to oversee Major Projects and Business Development. Before Mr Mah's retirement, he concurrently assumed the role of Deputy General Manager and Deputy CEO for more than six years at SRC. He was actively involved in the formation of Singapore Process Industry's productivity improvement blueprint. After his retirement in 2017, he was a consultant to an international EPC firm for approximately one year.

Mr Mah holds a Bachelor of Engineering (Mechanicals) from the University of Western Australia.



# 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.

The Company had previously adopted the practices based on the principles as set out in the Code of Corporate Governance 2012. The Monetary Authority of Singapore issued the revised Code of Corporate Governance 2018 (the “2018 Code”) on 6 August 2018. The Company has adopted the practices based on the principles and provisions of the 2018 Code and as well as the accompanying Practice Guidance.

This report describes the Group’s corporate governance practices and structures that were in place during the financial year ended 31 December 2020 with specific reference to the principles and provisions of the 2018 Code, and where applicable the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”). In so far as any principles and/or provisions has not been complied with, the reason has been provided for on the deviations from the 2018 Code.

## BOARD MATTERS

### The Board’s Conduct of Affairs

***Principle 1: The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.***

The primary function of the Board is to provide leadership to the Group, protect and enhance the long-term value and returns for its shareholders. 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 and approving annual budgets, major funding proposals, investment and divestment proposals;
- Constructively challenging Management and monitoring its 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 (with legislative and regulatory requirements), including the release of financial results and announcements of material transactions; and
- Reviewing and endorsing corporate policies in keeping up with good corporate governance (including ethical standards) and business practices. The Board objectively discharges their duties and responsibilities at all times as fiduciaries in the interests of the Group.



## CORPORATE GOVERNANCE

### ***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 conflict 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(ies) 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).

On an annual basis, each Director is required to promptly disclose any conflict or potentially conflict of interest to the Board. In addition, each Director is also required to submit details of his/her associates for the purpose of monitoring interested person transactions. For the financial year FY2020, except for the appointment of Mr Quek Kian Hui as Executive Deputy Chairman in which the Chairlady abstained from voting, no Director had to abstain from voting in relation to the conflict-related matters. Please refer to page 22 on further details on the appointment of Deputy Chairman.

### ***Directors' Orientation and Training***

A formal letter of appointment is furnished to every newly-appointed Director upon their appointment explaining among other matters, the roles, obligations, duties and responsibilities as a member of the Board.

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. If a Director has no prior experience as a director of a listed company, the Company endeavours to arrange for training appropriate to the level of his prior experience in areas such accounting, legal and industry knowledge. The Company will also arrange for the Director to attend the Listed Company Director Programme conducted by the Singapore Institute of Directors.



## CORPORATE GOVERNANCE

Mr Mah Kai Leong, who was appointed on 4 March 2020, had completed the Listed Company Director Programme and attended the Company's Orientation Programme in FY2020.

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(ies) and the external auditors will also update and brief the Directors on the changes and new developments from the regulatory authorities. New releases issued by the SGX-ST and the Accounting and Corporate Regulatory Authority and news articles/reports (including analyst reports) which are relevant to the Group's business are regularly circulated to all the Directors.

During the year, Management kept the Directors up to date on developments in the business, financial reporting standards and industry related matters. At each Board meeting, the respective business heads also update the Board on the business developments as well as performances of their respective business divisions.

### ***Board Approval***

The Group has adopted internal guidelines governing matters that require the Board's approval which has been clearly communicated to the Management. The matters require Board's approval includes

- Corporate Strategy of the Group;
- Annual budgets (including capital expenditure) and business plan of the Group;
- Appointment of Directors and Key Executives;
- Material acquisition and disposal of assets/investments;
- Corporate/financial structuring or corporate exercise;
- Incorporation of new entities;
- Issuance of shares, dividend payout and other returns to shareholders;
- Risk appetite and risk tolerance for the different categories of risk;
- Matters as specified by SGX-ST interest person transaction policy;
- Announcement of the Group's financial results (half year and full year) and the release of the Annual Report; and
- Any other matters as prescribed under the relevant legislations and regulations, as well as the provision of the Company's Constitution.



# CORPORATE GOVERNANCE

## **Delegation by the Board and Board Meetings and Attendance**

The Board has delegated specific responsibilities to three committees, namely the Audit Committee, Nominating Committee and Remuneration Committee (the “Board Committees”). Information on each of the Board Committees is set out below. All the Board Committees are actively engaged and played an important role in ensuring good corporate governance in the Company and within the Group. The terms of reference of the Board Committees are reviewed on a regular basis, along with the committee structures and membership, to ensure their continued relevance, taking into consideration the changes in the governance and legal environment. The terms of reference for the respective Board Committees were revised in FY2019 to be aligned with the 2018 Code. Any change to the terms of the reference for any Board Committee requires the specific written approval of the Board.

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 meets 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. When a physical meeting is not possible, a timely communication with members of the Board can be achieved through electronic means such as teleconferencing, video conferencing or other similar means of communication. The Board and Board Committees also make decisions through circulating resolutions.

If a Director is unable to attend a Board or Board Committee meeting, he/she will still receive all the papers and materials for discussion at that meeting. He/she will review them and advise the Chairlady/Chairman of the Board or the Board Committee respectively of his/her views and comments on the matters to be discussed so that they can be conveyed to other members at the meeting.

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		
	Position	No. of meetings		Position	No. of meetings		Position	No. of meetings		Position	No. of meetings	
		Held	Attended		Held	Attended		Held	Attended		Held	Attended
<u>Executive Directors</u>												
Cheng Woei Fen	C	6	6	NA	4	4#	NA	1	1#	NA	1	1#
Quek Kian Hui	M	6	6	NA	4	4#	NA	1	1#	NA	1	1#
<u>Non-Executive Directors</u>												
David Tan Chao Hsiung	M	6	6	C	4	4	M	1	1	M	1	1
Lau Teik Soon	M	6	6	M	4	4	C	1	1	M	1	1
Mah Kai Leong (%)	M	5	5	M	3	3	M	-	-	C	-	-
Peter Sim Swee Yam (&)	M	2	2	M	2	2	M	1	1	C	1	1

**C: Chairman; M: Member**

# By invitation

% Appointed on 4 March 2020

& Retired on 26 June 2020





## CORPORATE GOVERNANCE

### ***Multiple Board Representations***

All Directors are required to declare their board representations. When a Director has multiple board representation, the Nominating Committee will consider whether the Director is able to adequately carry out his/her duties as a Director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments.

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 Independent Directors should limit their other board representations in listed companies to six including that of the Company. For the financial year under review, no Director has exceeded such stipulation.

### ***Access to Information and Management and Company Secretary(ies)***

All Directors will 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 including safety and accident records.

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 Independent Directors have separate and independent access to the Group's senior Management, including the Chairlady, the Deputy Chairman, 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 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(ies). The Company Secretary(ies) and their representatives are present at Board meetings and ensures that procedures are followed, and that applicable rules and regulations are complied with. The Company Secretary(ies) will also attend all meetings of the Audit Committee, Remuneration Committee and Nominating Committee.



## CORPORATE GOVERNANCE

The Company Secretary(ies) assists to ensure good information flows within the Board and Board Committees, and between Senior Management and Non-Executive 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(ies) can only be taken by the Board as a whole.

### **Board Composition and Guidance**

***Principle 2: The Board has an appropriate level of independence and diversity of thought and the background in its composition to enable it to make decisions in the best interest of the Company.***

#### ***Board Independence***

##### ***Proportion of Non-Executive Independent Directors***

Currently, the Board comprises of five members, three of whom are Non-Executive Directors. All the non-executive Directors are also independent as described in the 2018 Code (i.e. they have no relationship with the Company, its related companies, its 5% or more 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 Independent Directors and comprise wholly of the Non-Executive Independent Directors.

Each Independent Director is required to complete a Independent Director's declaration form annually to confirm his independence. 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 2018 Code. The Non-Executive Independent Directors and their immediate family members have no relationship with the Company, its related corporations, its 5% or more shareholders\* or its officers. None of the Non-Executive Independent Directors have received payments in excess of \$200,000 from a 5% or more shareholder\*. For FY2020, the Nominating Committee has assessed and satisfied that all the three Non-Executive Directors are independent.

#### ***SGX Mainboard Rule 210(5)***

The Board recognises that Independent Directors may over time develop significant insights in the Group's business and operations, and can continue to provide noteworthy and valuable contribution objectively to the Board as a whole. The independence of the Independent Directors must be based on the substance of their professionalism, integrity and objectivity, and not merely based on form, such as the number of years which they have served on the Board. Nevertheless, when there are Directors who have served beyond the nine years from the date of their first appointment, the Board will rigorously review their continuing contributions and decide if they should continue with the appointment.

In line with Rule 210(5)(d)(iii) of the SGX Listing Rules which will take effect on 1 January 2022, stipulates the re-appointment of any Independent Director who has served the Board for an aggregate period of more than nine years from the date of their first appointment will undergo the mandatory two-tier voting process at the Annual General Meeting ("AGM").



## CORPORATE GOVERNANCE

At the end of FY2020, none of the Independent Directors have served on the Board for more than nine years from the date of their first appointment. However, in view of the new listing Rule 210(5), Mr David Tan Chao Hsiung and Dr Lau Teik Soon will not be considered as Independent Directors on 1 January 2022 unless their appointments as Independent Directors are approved at this forthcoming AGM. Mr. David Tan Chao Hsiung and Dr Lau Teik Soon will be seeking their continued appointment as Independent Directors at the forthcoming AGM via the mandatory two-tier voting process.

### ***Board Composition and Diversity***

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 business, management, operations, accounting and finance (including mergers and acquisitions, and capital markets), and legal which are 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 Non-Executive Independent Directors collectively comprise more than fifty percent (50%) of the Board of Directors as at the end of FY2020. With more than half of the Board made up of Independent Directors, including independence from the substantial shareholders, the Board is capable of exercising independent and objective judgement on the corporate affairs of the Group.

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

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 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 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 Independent Directors also review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.

**The Company as at 18 March 2021, has 1,321 shareholders – for details on the spread of shareholdings please refer to page 106 of this report. The two largest shareholders, representing 62.98% 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 Independent Directors, whom constitutes majority of the Board of Directors.**

### ***Meeting of Independent Directors without Management***

During the financial year, the Non-Executive Independent Directors, led by the Lead Independent Director, have met several times (without the presence of Management) both formally and informally; notably, to discuss cessation and appointment of key executives, remunerations of the Executive Directors and key executives (including the granting of performance shares), and feedbacks from the external auditors. Where appropriate, the Lead Independent Director will meet with the other Non-Executive 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.



# CORPORATE GOVERNANCE

## Chairman and Chief Executive Officer

***Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.***

### ***Separation of The Chairman and Chief Executive Officer (“CEO”)***

#### ***Role of Chairman and CEO***

#### ***Appointment of Lead Independent Director***

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), Madam 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, Madam Cheng Woei Fen and Mr 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(ies). 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 contributions of Non-Executive 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 2018 Code, the Board has appointed Mr David Tan Chao Hsiung, a Non-Executive 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. There were no query or request on any matters which requires the Lead Independent Director’s attention received in FY2020.

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.



# CORPORATE GOVERNANCE

## Board Membership

***Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of Directors taking into account the need for progressive renewal of the Board.***

The Nominating Committee comprises the following Non-Executive Independent Directors:

Lau Teik Soon (Chairman)  
David Tan Chao Hsiung  
Mah Kai Leong (appointed on 4 March 2020)

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 2018 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 succession plans for Directors, in particular 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 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 2018 Code and any other salient factors. Following its annual review, the Nominating Committee has endorsed the independent status of the Non-Executive 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.



## CORPORATE GOVERNANCE

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.

Pursuant to Regulation 108 of the Company's Constitution, at least one-third of the Board is required to retire via rotation at each AGM. Accordingly, Madam Cheng Woei Fen, Mr David Tan Chao Hsiung and Dr Lau Teik Soon are the Directors retiring via rotation at the forthcoming AGM. The Nominating Committee, having considered Madam Cheng Woei Fen, Mr David Tan Chao Hsiung and Dr Lau Teik Soon, individual performance and contribution, has recommended the retiring Directors for re-election at the forthcoming AGM.

Subject to being duly re-elected at the forthcoming AGM,

- (1) Madam Cheng Woei Fen will remain as the Executive Chairlady;
- (2) Mr David Tan Chao Hsiung will remain as the Non-Executive Lead Independent Director, Chairman of the Audit Committee and members of the Nominating Committee and Remuneration Committee; and
- (3) Dr Lau Teik Soon will remain as Non-Executive Independent Director, Chairman of the Nominating Committee and members of the Audit Committee and Remuneration Committee.

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

<b>Name of Director</b>	<b>Madam Cheng Woei Fen</b>
Age	63
Country of principal residence	Singapore
Shareholding interest in the listed issuer and its subsidiaries	<u>The Company</u> 278,997,600 shares  <u>Subsidiaries of the Group</u> 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	Mother to Executive Deputy Chairman, Quek Kian Hui
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	<u>Past (for the last 5 years)</u> Nil  <u>Present</u> Nil  <u>Other Principal Commitments</u> Nil



## CORPORATE GOVERNANCE

<b>Name of Director</b>	<b>Mr David Tan Chao Hsiung</b>
Age	60
Country of principal residence	Singapore
Shareholding interest in the listed issuer and its subsidiaries	<u>The Company</u> Nil  <u>Subsidiaries of the Group</u> 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	<u>Past (for the last 5 years)</u> Nil  <u>Present</u> Powermatic Data Systems Ltd  <u>Other Principal Commitments</u> Nil

<b>Name of Director</b>	<b>Dr Lau Teik Soon</b>
Age	82
Country of principal residence	Singapore
Shareholding interest in the listed issuer and its subsidiaries	<u>The Company</u> Nil  <u>Subsidiaries of the Group</u> 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	<u>Past (for the last 5 years)</u> Ryobi Kiso Holdings Ltd  <u>Present</u> Nil  <u>Other Principal Commitments</u> Nil



## CORPORATE GOVERNANCE

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.

### Board Performance

***Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its Board Committees and individual Directors.***

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 (including Chairlady) 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 (including Chairlady) are carried out annually. Following the review in FY2020 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 and its Board Committees.

For FY2020, the Nominating Committee has not engaged any external facilitator to assist in the assessment of the performance of the Board and Board Committees.

### *Appointment of Executive Deputy Chairman (with effect from 25 February 2021)*

During the year, the Nominating Committee, after evaluating the individual performance of Mr Quek Kian Hui (the current Executive Director) and having considered succession planning, recommended to the Board the appointment of him as the Executive Deputy Chairman of the Board. He will also be appointed Chairman of the executive committee. Our current Chairlady, Madam Cheng Woei Fen, who is the mother to Mr Quek Kian Hui, abstained from voting at the Board being conflict of interest. The executive committee, which is accountable to the Board, comprises of Senior Operation Directors and Finance Director who manage the day to day operations of the Group. Madam Cheng Woei Fen, the current Chairlady of the Group, will be designated as adviser and continue to provide guidance to the executive committee.





# CORPORATE GOVERNANCE

## REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

***Principle 6: The Board has a formal and transparent procedure for developing policies on Director and executive remuneration, and for fixing the remuneration packages of individual Directors and key management personnel. No Director is involved in deciding his or her own remuneration.***

### Remuneration Committee

The Remuneration Committee comprises the following Non-Executive Independent Directors:

Mah Kai Leong (Chairman) (appointed on 4 March 2020)  
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 external expert or independent professional advice of which the expenses will be borne by the Company. For FY2020, the Remuneration Committee has not sought external advice nor appointed remuneration consultants in considering the remuneration of Directors.

During the financial year, the Remuneration Committee reviews the current employment terms and conditions (including remuneration) of Executive Directors and key management personnel. The Remuneration Committee is satisfied that the terms and conditions (including remuneration) for the Executive Directors and 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 FY2016 AGM held on 20 April 2017 for a maximum duration of 10 years from the date of adoption. As at 31 March 2021, awards in respect of 4,800,000 shares have been granted under the plan. Details of the plan are set out in the Directors' Statement on pages 38 to 39 and subsequent events notes on page 105.



## CORPORATE GOVERNANCE

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 7: The level and structure of the remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.***

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.

Currently there is no service agreements for the Executive Directors. Their last service agreements expired in FY2019. The Executive Directors' compensation currently comprises of salary and bonuses. The bonuses will be linked to the performance of the Group as a whole and individual performance. The former aligns with the interests of shareholders and link rewards to corporate and individual performance.

The remuneration package of Executive Directors and 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 Executive Directors and key executives are reviewed by the Remuneration Committee and approved by the Board to ensure alignment of their interests with those of shareholders.

The FY2019 bonus was paid out in two portions. A portion of the bonus was paid out in January of 2020. The remaining portion of the bonus was not paid out in view of the Covid-19 pandemic situation and the need for the Group to conserve cash.



## CORPORATE GOVERNANCE

### (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 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.

The MSE Performance Share Plan was adopted and approved by the shareholders of the Company of the AGM held on 20 April 2017. The duration of the plan is a maximum period of 10 years commencing on the date of adoption. Details of the plan are set out in the Directors' Statement on pages 38 to 39.

A substantial portion of the Group's key customers (or business partners) are from the process industry that operates processing plants and facilities. This industry is currently facing strong headwinds (including uncertainty) arising from both weak economic sentiments caused by the Covid-19 pandemic and negative profitability outlooks due to the shift from fossil fuel to renewal energy (to address climate change) and high debt levels. These factors have resulted in a significant reduction in both capital expenditures and operating budgets. The Group is dependent on these to maintain its profitability.

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

- Since FY2018, no increment in the salary for the Chairlady;
- Since FY2018, no bonuses were paid to Chairlady and Executive Deputy Chairman; and
- In financial year 2017, the Non-Executive Independent Directors on their own accord offered a reduction in their Directors' fees and since then, there was no increase in their directors' fees. For financial year 2021, similarly they have offered to maintain their directors' fees to that of financial year 2020.

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

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.

The Remuneration Committee is mindful that the remuneration for Non-Executive Independent Directors should not be excessive so as to compromise or reasonably be perceived to compromise their independence. No member of the Remuneration Committee is involved in deliberating and deciding in respect of any remuneration, compensation or any form of benefits to be granted to him. The Board concurred with the Remuneration Committee that the proposed fees for the year 31 December 2021 is appropriate and not excessive, taking into consideration the level of contributions by the Directors and factors such as effort and time spent for serving on the Board and Board Committees as well as the responsibilities and obligations of the Directors. Directors' fees of up to \$116,000 for FY2021 (\$125,000 for FY2020), are recommended by the Board to table for approval by the shareholders at the forthcoming AGM. The higher Directors' fees for FY2020 was due to payment to Non-Executive Independent Director, Mr Peter Sim Swee Yam, who retired on 26 June 2020.



# CORPORATE GOVERNANCE

## Disclosure on Remuneration

**Principle 8: The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.**

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 partners), 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 partners).

For the Chairlady, Executive Deputy Chairman 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 are 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 %
	Total Remuneration \$'000	Base/fixed salary %	Director's fees %	Variable or performance- related income/ bonuses %	Benefits in kind %	
<u>Directors</u>						
Cheng Woei Fen	230	96.4	–	–	3.6	100.0
Quek Kian Hui	150	96.0	–	–	4.0	100.0
David Tan Chao Hsiung	41	–	100.0	–	–	100.0
Peter Sim Swee Yam (%)	18	–	100.0	–	–	100.0
Lau Teik Soon	36	–	100.0	–	–	100.0
Mah Kai Leong (#)	30	–	100.0	–	–	100.0

# Appointed on 4 March 2020

% Retired on 26 June 2020



## CORPORATE GOVERNANCE

	Breakdown in percentage					Total %
	Base/fixed salary %	Director's fees %	Variable or performance- related income/ bonuses %	Benefits in kind %	MSE PSP %	
<u>Top 5 key management personnel</u>						
<b>Below \$250,000</b>						
Lin Yan	89.9	–	5.7	4.4	–	100.0
Lim Poon Kheng, Eugene	79.6	–	6.1	0.6	13.7	100.0
Teo Kheng Hock	76.1	–	20.0	3.9	–	100.0
Narayanan Parthasarathy	92.3	–	6.6	1.1	–	100.0
John Parkinson	85.7	–	7.1	7.2	–	100.0

MSE PSP: relates to the Company's Performance Share Plan approved by shareholders on 20 April 2017.

Bonus relates to FY2019 bonus payout.

In line with the Group's financial performance for FY2020, based/fixed salary formed a substantial portion of the total remuneration of the Executive Directors (including that of the Chairlady) and key management personnel.

The total remuneration for the above key management personnel was \$965,000.

There was no employee who was an immediate family member of a Director whose remuneration exceeded \$100,000 during the year under review.

### ACCOUNTABILITY AND AUDIT

### RISK MANAGEMENT AND INTERNAL CONTROLS

**Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.**

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. The ERM is reviewed from time to time to ensure the potential risks are appropriately identified, and was last updated by Management in FY2020. 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 ERM manual provides an overview of the Group's key risks, the appropriate risks tolerance limits set for the respective risks, their likelihood of occurrence and the consequential impact to the Group as a whole. This allows the Group to address the on-going changes and the challenges in the business environment, reduces uncertainties and facilitates the shareholder value creation process.



## CORPORATE GOVERNANCE

The key framework and policies on risk management are summarised as follows:

### *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. Each project will be assessed at the end of each financial year and if there is foreseeable loss, an appropriate allowance provision will be made.

### *Safety risk*

The Group operates in an industry where safety ranks as one of its top priorities by the customers (or business partners). 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 partners) 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 partners) and the relevant authorities. The safety procedures of the Group are further audited periodically by an independent body. The Group also provides training to its staff regularly on safety procedures. The safety audit was last conducted in FY2019.

### *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.

During the year 2020, the Company implemented a new Enterprise Resource Planning ("ERP") system. It is currently solving the teething problems associated with any live implementation. The Internal Auditor was tasked to review and identify controls weaknesses associated with this implementation. The Internal Auditors also performed a review of the information systems risks associated with this new ERP system. No material findings were flagged out that might render the internal control systems to be inadequate nor ineffective. Based on the internal audit findings, the Group is in the process of implementing or improving the internal control processes within the system.

### *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.



## CORPORATE GOVERNANCE

### *Market concentration risk*

The Group is currently dependent on Singapore for its main source of revenue. The Group's main customers (or business partners) 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 partners) of the Group. The Group tries to reduce the market concentration risk by maintaining its long-term relationships with these customers (or business partners). 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 has established its presence in Malaysia and Taiwan markets and will further make inroads to broaden its existing customer base.

### *Human resource risk*

The Group is a service provider and is dependent on its human resource to achieve profitability and retain customers (or business partners). 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. With the border closure due to Covid-19 pandemic, the Group faces difficulties in recruiting foreign workers. To meet our business partners' demand, the Group has to engage subcontracts to fulfill the labour gap. This will continue until the reopening of the border.

The outbreak of Covid-19 in the dormitories have resulted in a high portion of our workforce been quarantine and not available for deployment. Consequently, our revenue was significantly affected. Management since has taken steps to house our workforce at different locations to reduce concentration risk.

### **Assurances from the Chairlady and Finance Director**

In addition, the Board has received assurances from the 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 to address the financial, operational, compliance and information technology controls, and risk management systems within the current scope of the Group's business operations.

### **Audit Committee**

#### **Principle 10: The Board has an Audit Committee which discharges its duties objectively.**

The Audit Committee comprises the following Non-Executive Independent Directors:

David Tan Chao Hsiung (Chairman)

Lau Teik Soon

Mah Kai Leong (appointed on 4 March 2020)

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



## CORPORATE GOVERNANCE

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 Mainboard) board of directors and holds offices of audit committee chairman, lead independent director and chairman of the executive committee. Dr Lau Teik Soon, a retired solicitor, 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. Mr Mah Kai Leong, is a qualified mechanical engineer, has vast operational and financial management experience in a petrochemical plant.

The Audit Committee has a 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 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 controls 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;
- Reviewing the assurances from the Chairlady and Finance Director on the financial records and financial statements;
- Reviewing the policy and arrangements for concern about possible improprieties in financial reporting and other matters to be safely raised, independently investigated and appropriately followed up on. The company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns; and
- Reviewing the financial reports of the Group, prior to their submission to the Board.





## CORPORATE GOVERNANCE

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.

### ***Financial Reporting Matters***

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 Audit Committee meets on a quarterly basis to review the quarterly updates, half yearly and the audited annual financial statements, SGXNet announcements and all related disclosures to shareholders (including where appropriate and necessary, press and media releases) before submission to the Board for approval. In the process, the Audit Committee reviews the key areas of management judgement applied for adequate provisioning and disclosure, critical accounting policies and any significant changes made that would have an impact on the Group's financial performance so as to ensure the integrity of the financial statements. 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.

### ***Audit Committee comments on the Key Audit Matters***

#### *Revenue Recognition*

The Audit Committee reviewed and concurred with the Management's revenue recognition method which is based on the percentage of completion method. Through the understanding of projects' progress at the quarterly updates by the Executive Directors, project directors and Finance Director, the Audit Committee assessed the reasonableness of the Management's budgets of these projects. The Audit Committee determined that the budgets were reasonable.

#### *Valuation for Non-Financial Assets and their Carrying Values*

The Audit Committee considered and is satisfied with the valuation methodology and reasonableness of key assumptions used to determine the recoverable amounts of the non-financial assets.



## CORPORATE GOVERNANCE

### ***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:

	<b>Audit fee</b>	<b>Non-audit fee</b>
Fees paid to external auditors	S\$141,000	S\$5,000

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 Messrs KPMG LLP for the re-appointment as external auditors at the forthcoming AGM.

### ***Whistle-blowing programme***

The Company has established a Code of Conduct and Business Ethics that sets the principles of the code of conduct and business ethics which applies to all employees of the Group. This code covers areas such as conduct in workplaces, business conduct, protection of the Company's assets, confidentiality of information and conflict of interest etc. Directors, key management personnel and employees are expected to observe and uphold high standards of integrity which are in compliance with the Company's policies and the law and regulations of the countries in which it operates.

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.

The Group has put in place a whistle-blowing framework endorsed by the Audit Committee which provides the mechanisms where employees may, in confidence, raise concerns or observations about possible corporate malpractices and improprieties in financial reporting or other matters directly to the Chairman of the Audit Committee. Details of the whistle-blowing policies, together with the dedicated whistle-blowing communication channels via our website have been made available to all employees. It has a well-defined process which ensures independent investigation of issues/concerns raised and appropriate follow up action and provides assurances that employees will be protected from reprisal within the limits of law or victimization for whistle blowing in good faith. The whistle-blowing policy and procedures are reviewed by the Audit Committee from time to time to ensure they remain relevant. The Audit Committee reports to the Board on such matters at the Board meetings. Should the Audit Committee receive reports relating to serious offences and/or criminal activities in the Group, the Audit Committee and the Board have access to the appropriate external advice where necessary. Where appropriate or required, a report shall be made to the relevant government authorities for further investigation or action.

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



# CORPORATE GOVERNANCE

## ***Interested Person Transactions***

To ensure compliance with Chapter 9 of the Listing Manual of the SGX-T, the Audit Committee as well as the Board meets quarterly to review if the Group will be entering into any 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 Rule 920 of the Listing Manual of the SGX-ST. There was also no general mandate for interested person transactions.

## ***Material Contracts***

Pursuant to Rule 1207(8) of the Listing Manual, 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***

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.

MS Risk Management Pte Ltd is the internal auditor for the Group (the "Internal Auditor"). The Internal Auditor is a member of the Institute of Internal Auditors Singapore and staffed with persons with the relevant qualifications and experience. To review and test the controls of the Group's processes, the Internal Auditor adopts the International Standards for the Professional Practice of Internal Auditing which is laid down in the International Professional Practices Framework issued by the Institute of Internal Auditors. The Internal Auditor reports directly and primarily to the Chairman of the Audit Committee with administrative reporting to the 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 auditor, 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 unauthorized use or disposition; and transactions are properly authorized 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. The Audit Committee also took note that Management had implemented a new ERP system in FY2020 and is currently improving the internal control processes based on audit findings raised by the Internal Auditor. Please refer to page 28 for more details.



## CORPORATE GOVERNANCE

Based on the internal controls established and maintained by the Group, work performed by the Internal Auditor and work performed by the external auditors, and reviews performed by Management, 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 controls, and the risk management systems.

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

### SHAREHOLDER RIGHTS AND ENGAGEMENT

#### Shareholder Rights And Conduct Of General Meetings

***Principle 11: The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders as balanced and understandable assessment of its performance, position and prospects.***

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. Minutes of the AGM held in FY2019 had been published by the Company on its corporate website and SGX-ST website.

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 Mainboard) and the outcome of the poll will be disclosed over the SGX website.

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 the operating environment, 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 2020, the Board has proposed, subject to shareholders' approval at the AGM, a tax-exempt (one-tier) final dividend of 0.04 cents per ordinary share (2019: 0.04 cents). The proposed dividends for FY2020 will be paid out from our positive accumulated retained earnings as the Group suffered a net loss for the year.



## CORPORATE GOVERNANCE

The payout for the proposed dividends for FY2020 is expected to be about \$232,000 (based on 580,124,400 ordinary shares excluding treasury shares) as compared to \$72,000 paid in respect of FY2019. Madam Cheng Woei Fen, Mr Quek Kian Hui and their immediate families (Mr Quek Kian Teck and Mr Quek Keng Siong) had forgone their FY2019 dividend entitlements of \$160,000. The funds were retained by the Group for working capital purposes.

*AGM – to be held on 23 April 2021*

In view of the current Covid-19 situation, the forthcoming AGM will be held by electronic means pursuant to the Covid-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live video conference or live audio conference, submission of questions to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions prior to the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, will be put in place for the AGM to be held in April 2021. In addition, the Company has adopted an interactive platform for the AGM and shareholders are allowed to ask questions during the AGM. The responses to such questions, together with the minutes of the AGM will be published on (i) the SGX's website (ii) the Company's corporate website within one month after the date of the AGM.

***Principle 12: The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.***

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(ies), 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](http://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. The Group does not practice selective disclosure of material information. 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.



# CORPORATE GOVERNANCE

## MANAGING STAKEHOLDERS RELATIONSHIPS

### Engagement With Stakeholders

***Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.***

The Group has regularly engaged its stakeholders through various medium and channels to ensure that business interests are aligned with those of the stakeholders, to understand and address the concerns as to improve the services and quality and also to maintain safety standards, in addition to sustaining the business opportunities for long term growth.

The stakeholders have been identified as those who are impacted by the Group's business and operations or those whose actions are able to impact the Group's business and operations. Five stakeholder groups have been identified and through an assessment of their significance to the business operations. They are namely suppliers, business partners, employees, community and shareholders.

The Group has undertaken a process to determine the environmental, social and governance ("ESG") issues which are important to these stakeholders. These issues form the materiality matrix upon which targets, performance and progress are reviewed and endorsed by the Board annually.

Having identified the stakeholders and the material issues, the Company has mapped out the key areas of focus in relation to the Management of the respective stakeholder relationships.

The Company also maintains a corporate website at [www.mun-siong.com](http://www.mun-siong.com) to communicate and engage stakeholders.

### Other Corporate Governance Matters

## 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 one month before the date of announcement of results for half-yearly of the Group's financial year and 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.

All directors are required to seek Board's approval before trading in the Company's shares and are also required to notify the Company's Secretary of any change in his interest in the Company's shares within two business days of the change.

During FY2020, there was no trading of the Company's shares by its Directors and officers.



## 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 2020.

In our opinion:

- (a) the financial statements set out on pages 48 to 105 are drawn up so as to give a true and fair view of the financial positions of the Group and of the Company as at 31 December 2020 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  
 David Tan Chao Hsiung  
 Lau Teik Soon  
 Mah Kai Leong (appointed on 4 March 2020)

### Arrangements 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:

Name of director and corporation in which interests are held	← Direct interests →		← Deemed interests →	
	Holdings at beginning of the year	Holdings at end of the year	Holdings at beginning of the year	Holdings at end of the year
<b>The Company</b>				
<i>Ordinary shares</i>				
Cheng Woei Fen	278,997,600	278,997,600	36,167,400	36,167,400
Quek Kian Hui	86,376,800	86,376,800	–	–



## DIRECTORS' STATEMENT

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

There were no changes in any of the abovementioned interest in the Company between the end of the financial year and 21 January 2021.

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.

### **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 (subject to approval by the Independent Shareholders)

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 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 percent 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 Lau Teik Soon and Mr Mah Kai Leong.

An aggregate of 2,400,000 share awards were granted to the employees of the company and its subsidiaries since the commencement of the plan until the end of the financial year. The first tranche of the Award in respect of 800,000 Shares had vested during the financial year ended 31 December 2019. The second tranche of the Award in respect of 800,000 shares vested after the financial year ended 31 December 2019 and the third tranche in respect of 800,000 shares vested after financial year ended 31 December 2020.

Details of all share awards of the Company granted pursuant to the Plan as at 31 December 2020 are as follows:

<b>Date of grant of share awards</b>	<b>Share awards outstanding as at 1 January 2020</b>	<b>Share awards granted during the year</b>	<b>Share awards vested during the year</b>	<b>Share awards lapsed during the year</b>	<b>Share awards outstanding as at 31 December 2020</b>
21/2/2019	1,600,000	–	(800,000)	–	800,000



# DIRECTORS' STATEMENT

## 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
- Lau Teik Soon, non-executive director
- Mah Kai Leong, 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

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**Cheng Woei Fen**

*Director*

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**Quek Kian Hui**

*Director*

31 March 2021



# 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 2020, 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 48 to 105.

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 2020 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.



# INDEPENDENT AUDITORS' REPORT

Members of the Company  
Mun Siong Engineering Limited

## Revenue recognition

(Refer to Note 22 to the financial statements)

### The key audit matter

For the Group's contracts with its major customers, 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 relies 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.

### Findings

We found the assumptions and resulting estimates of the percentage of completion applied in the recognition of revenue to be balanced.

### 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.



# INDEPENDENT AUDITORS' REPORT

Members of the Company  
Mun Siong Engineering Limited

## Valuation of non-financial assets and their carrying values

(Refer to Note 4 to the financial statements)

### The key audit matter

As at 31 December 2020, the aggregate carrying values of the Group's and Company's property, plant and equipment (and right-of-use assets) totalled \$16.4 million and \$16.0 million (2019: \$14.3 million and \$14.3 million) respectively. The aggregate carrying values represented 20.5% and 20.4% (2019: 18.3% and 18.2%) respectively of the total assets of the Group and the Company.

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, the carrying values 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.

### Findings

Where impairment triggers exist and the recoverable amount of a CGU was calculated, the estimates were found to be balanced.

### How the matter was addressed in our audit

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.



# INDEPENDENT AUDITORS' REPORT

Members of the Company  
Mun Siong Engineering Limited

## *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.



## INDEPENDENT AUDITORS' REPORT

Members of the Company  
Mun Siong Engineering Limited

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 that subsidiary corporation 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**

31 March 2021



# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

	Note	Group		Company	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Assets</b>					
Property, plant and equipment	4	16,357	14,276	16,080	14,303
Intangible asset	5	–	–	–	–
Goodwill on consolidation	6	–	–	–	–
Investment properties	7	1,205	1,225	1,205	1,225
Subsidiaries	8	–	–	2,828	2,828
Investment in an equity-accounted investee	9	244	–	240	–
<b>Non-current assets</b>		<b>17,806</b>	<b>15,501</b>	<b>20,353</b>	<b>18,356</b>
Inventories	11	193	242	193	242
Contract assets	12	10,002	16,228	9,699	16,052
Trade and other receivables	13	14,127	18,820	15,323	18,839
Cash and cash equivalents	14	37,737	27,363	33,350	24,999
<b>Current assets</b>		<b>62,059</b>	<b>62,653</b>	<b>58,565</b>	<b>60,132</b>
<b>Total assets</b>		<b>79,865</b>	<b>78,154</b>	<b>78,918</b>	<b>78,488</b>
<b>Equity</b>					
Share capital	15	26,254	26,254	26,254	26,254
Translation reserve	16	34	(1)	40	4
Treasury shares	17	(92)	(138)	(92)	(138)
Share-based compensation reserve	18	(34)	(17)	(34)	(17)
Retained earnings		28,403	29,001	28,225	28,695
<b>Equity attributable to owners of the Company</b>		<b>54,565</b>	<b>55,099</b>	<b>54,393</b>	<b>54,798</b>
<b>Non-controlling interests</b>		<b>9</b>	<b>10</b>	<b>–</b>	<b>–</b>
<b>Total equity</b>		<b>54,574</b>	<b>55,109</b>	<b>54,393</b>	<b>54,798</b>
<b>Liabilities</b>					
Loans and borrowings	19	5,462	179	5,417	179
Provisions	20	1,264	374	1,264	374
Deferred tax liabilities	10	1,568	1,581	1,561	1,581
<b>Non-current liabilities</b>		<b>8,294</b>	<b>2,134</b>	<b>8,242</b>	<b>2,134</b>
Trade and other payables	21	13,776	19,718	13,169	20,368
Contract liabilities	12	1,243	144	1,243	144
Loans and borrowings	19	986	318	937	318
Provisions	20	504	462	504	462
Current tax payable		488	269	430	264
<b>Current liabilities</b>		<b>16,997</b>	<b>20,911</b>	<b>16,283</b>	<b>21,556</b>
<b>Total liabilities</b>		<b>25,291</b>	<b>23,045</b>	<b>24,525</b>	<b>23,690</b>
<b>Total equity and liabilities</b>		<b>79,865</b>	<b>78,154</b>	<b>78,918</b>	<b>78,488</b>

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



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	Note	2020 \$'000	2019 \$'000
Revenue	22	46,929	70,540
Cost of sales		(42,771)	(65,474)
<b>Gross profit</b>		4,158	5,066
Other income	23	1,368	1,400
Administrative expenses		(5,746)	(5,836)
Other operating expenses		(94)	(95)
Share of results of an equity-accounted investee		4	–
<b>Results from operating activities</b>		(310)	535
Finance income	24	170	377
Finance costs	24	(87)	(43)
<b>(Loss)/profit before tax</b>	25	(227)	869
Tax expense	26	(300)	(368)
<b>(Loss)/profit for the year</b>		(527)	501
<b>(Loss)/profit attributable to:</b>			
Owners of the Company		(526)	496
Non-controlling interests		(1)	5
<b>(Loss)/profit for the year</b>		(527)	501
<b>Other comprehensive income</b>			
<b>Item that is or may be reclassified subsequently to profit or loss:</b>			
Foreign currency translation difference from foreign operations		35	1
<b>Total comprehensive income for the year</b>		(492)	502
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		(491)	497
Non-controlling interests		(1)	5
<b>Total comprehensive income for the year</b>		(492)	502
<b>Earnings per share</b>			
Basic earnings per share (cents)	27	(0.09)	0.09
Diluted earnings per share (cents)	27	(0.09)	0.09

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



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

Group	Note	Attributable to owners of the Company					Total \$'000	Non- controlling interests \$'000	Total equity \$'000
		Share capital \$'000	Translation reserve \$'000	Treasury shares \$'000	Retained earnings \$'000	Share-based compensation reserve \$'000			
At 1 January 2019		26,254	(2)	(193)	28,704	–	54,763	5	54,768
Adjustment on initial application of SFRS(I) 16 (net of tax)		–	–	–	(25)	–	(25)	–	(25)
Adjusted balance at 1 January 2019		26,254	(2)	(193)	28,679	–	54,738	5	54,743
<b>Total comprehensive income for the year</b>									
Profit for the year		–	–	–	496	–	496	5	501
<b>Other comprehensive income</b>									
Foreign currency translation difference from foreign operations		–	1	–	–	–	1	–	1
<b>Total comprehensive income for the year</b>		–	1	–	496	–	497	5	502
<b>Transactions with owners, recognised directly in equity</b>									
<b>Contributions by and distributions to owners</b>									
Dividends	15	–	–	–	(174)	–	(174)	–	(174)
Share-based payment transactions	18	–	–	55	–	(17)	38	–	38
<b>Total transactions with owners</b>		–	–	55	(174)	(17)	(136)	–	(136)
At 31 December 2019		26,254	(1)	(138)	29,001	(17)	55,099	10	55,109

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



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

Group	Note	Attributable to owners of the Company					Total \$'000	Non- controlling interests \$'000	Total equity \$'000
		Share capital \$'000	Translation reserve \$'000	Treasury shares \$'000	Retained earnings \$'000	Share-based compensation reserve \$'000			
At 1 January 2020		26,254	(1)	(138)	29,001	(17)	55,099	10	55,109
<b>Total comprehensive income for the year</b>									
Loss for the year		–	–	–	(526)	–	(526)	(1)	(527)
<b>Other comprehensive income</b>									
Foreign currency translation difference from foreign operations		–	35	–	–	–	35	–	35
<b>Total comprehensive income for the year</b>		–	35	–	(526)	–	(491)	(1)	(492)
<b>Transactions with owners, recognised directly in equity</b>									
<b>Contributions by and distributions to owners</b>									
Dividends	15	–	–	–	(72)	–	(72)	–	(72)
Purchase of treasury shares		–	–	(9)	–	–	(9)	–	(9)
Share-based payment transactions	18	–	–	55	–	(17)	38	–	38
<b>Total transactions with owners</b>		–	–	46	(72)	(17)	(43)	–	(43)
At 31 December 2020		26,254	34	(92)	28,403	(34)	54,565	9	54,574

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



# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Note	2020 \$'000	2019 \$'000
<b>Cash flows from operating activities</b>			
(Loss)/profit before tax		(227)	869
Adjustments for:			
Depreciation of property, plant and equipment		3,435	3,254
Gain on disposal of property, plant and equipment		(2)	(77)
Unwinding of discount on provision for restoration costs		20	19
Property, plant and equipment written off		14	25
Provision made for reworks		–	462
Equity-settled share-based payment transactions		38	38
Fair value loss on investment properties		20	–
Provision for onerous contracts		42	–
(Write back)/provision for doubtful debts		(155)	155
Share of results of an equity-accounted investee		(4)	–
Interest expense		67	24
Interest income		(170)	(377)
		3,078	4,392
Changes in inventories		49	109
Changes in contract assets		6,226	(6,169)
Changes in contract liabilities		1,099	62
Changes in trade and other receivables		4,689	(5,367)
Changes in trade and other payables		(5,942)	9,471
Cash generated from operating activities		9,199	2,498
Tax paid		(95)	(178)
<b>Net cash from operating activities</b>		9,104	2,320
<b>Cash flows from investing activities</b>			
Interest received		170	377
Investment in an equity-accounted investee		(81)	–
Acquisition of property, plant and equipment		(3,174)	(1,407)
Proceeds from disposal of property, plant and equipment		4	175
<b>Net cash used in investing activities</b>		(3,081)	(855)
<b>Cash flows from financing activities</b>			
Proceeds from bank loans		5,000	–
Dividends paid		(72)	(174)
Payment of lease liabilities		(550)	(455)
Purchase of treasury shares		(9)	–
Interest paid		(57)	(24)
<b>Net cash from/(used in) financing activities</b>		4,312	(653)
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents at 1 January		27,363	26,549
Effect of exchange rate fluctuations on cash held		39	2
<b>Cash and cash equivalents at 31 December</b>	14	37,737	27,363

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



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 31 March 2021.

## 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 2020 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) and the Group’s interest in an equity-accounted investee.

The principal activities of the Company are those of mechanical engineering, provision of specialised services and investment holding. In March 2019, the Company established a branch office known as Mun Siong Engineering Limited, Taiwan branch in Kaohsiung, Republic of China (“Taiwan”). The following notes for the Company include the results of the branch office. The principal activities of the subsidiaries and an equity-accounted investee are set out in Note 8 and Note 9 respectively 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)"). The changes to significant accounting policies are described in Note 2.5.

### 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.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 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; and
- Note 22 – 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; and
- Note 30 – Determination of fair values.





# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 2 BASIS OF PREPARATION (CONTINUED)

### 2.5 Changes in accounting policies

#### **New standards and amendments**

The Group has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2020:

- *Amendments to References to Conceptual Framework in SFRS(I) Standards*
- *Definition of a Business (Amendments to SFRS(I) 3)*
- *Definition of Material (Amendments to SFRS(I) 1-1 and SFRS(I) 1-8)*
- *Interest Rate Benchmark Reform (Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7)*

The application of these amendments to standards and interpretations does not have a material effect on the financial statements.

## 3 SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies have been applied consistently by Group entities and its equity-accounted investee.

### 3.1 Basis of consolidation

#### **Business combinations**

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

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.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.1 Basis of consolidation (Continued)

#### ***Business combinations (continued)***

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).

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.

#### ***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.

#### ***Investment in an equity-accounted investee (joint venture)***

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investment in a joint venture is accounted for using the equity method. It is initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investee, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.1 Basis of consolidation (Continued)

#### *Investment in an equity-accounted investee (joint venture) (continued)*

When the Group's share of losses exceeds its investment in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

#### *Subsidiaries and joint venture in the separate financial statements*

Investments in subsidiaries and a joint venture 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.

#### *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. 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 NCI. When the Group disposes of only part of its investment in a joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.3 Property, plant and equipment

#### *Recognition and measurement*

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

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

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use; 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.

If significant 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.

Any 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.

#### *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.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.3 Property, plant and equipment (Continued)

#### *Depreciation (continued)*

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

- Leasehold property 2 to 4 years
- Machinery, tools and equipment 12 to 15 years
- Furniture and office equipment 5 to 10 years
- Motor vehicles 7 to 15 years
- Other assets 15 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.

### 3.5 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.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### (i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.7 Leases (Continued)

#### (i) As a lessee (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments; and
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

#### *Short-term leases and leases of low-value assets*

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including office equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### (ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.7 Leases (Continued)

#### (ii) As a lessor (continued)

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group recognises rental income received from investment property as part of 'other income'.

### 3.8 Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

### 3.9 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

The Group classifies its non-derivative financial assets 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.





# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.9 Financial instruments (Continued)

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

##### Non-derivative financial assets (continued)

###### *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

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;
- 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

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.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.9 Financial instruments (Continued)

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

##### Non-derivative financial assets (continued)

##### Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest (continued)

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

###### *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.

##### 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.

#### (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.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.9 Financial instruments (Continued)

#### (iii) Derecognition (continued)

##### Financial assets (continued)

Transferred assets are not derecognised when 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.

##### Financial liabilities

The Group derecognises a financial liability when its 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 currently 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 three months or less 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. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with SFRS(I) 1–12.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.9 Financial instruments (Continued)

#### (vi) Share capital (continued)

*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.

### 3.10 Impairment

#### (i) Non-derivative financial assets and contract assets

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

- financial assets measured at amortised cost; 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 or contract asset.

*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.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.10 Impairment (Continued)

#### (i) Non-derivative financial assets and contract assets (continued)

##### *General approach (continued)*

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 debtor 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.

##### *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 debtor;
- 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.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.10 Impairment (Continued)

#### (i) Non-derivative financial assets and contract assets (continued)

##### *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-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.

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.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.10 Impairment (Continued)

#### (ii) Non-financial assets (continued)

An impairment loss in respect of a joint venture is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the requirements for non-financial assets. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and only to the extent that the recoverable amount increases.

Goodwill that forms part of the carrying amount of an investment in a joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in a joint venture is tested for impairment as a single asset when there is objective evidence that the investment in a joint venture may be impaired.

### 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.

#### *Share-based payment transactions*

The grant date fair value of equity-settled share-based payment awards granted to employees and Executive Directors is recognised as an employee benefit expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the performance conditions at the vesting date.

### 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.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.12 Provisions (Continued)

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.

#### (i) Provision for 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.

#### (ii) Provision for reworks

The Group recognises at the reporting date the estimated liability on all expenditure for the rework cost due to the joints quality problem specific to a particular project. The provision is calculated based on management's best estimate of the expenditure expected to be incurred over the quantity of joints that need rework over a specified contracted period of time.

#### (iii) Provision for onerous contracts

A provision is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the expected net cost of continuing with the contract, which is determined based on incremental costs necessary to fulfil the obligation under the contract.

### 3.13 Revenue

#### Services provided

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.





# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.13 Revenue (Continued)

#### Services provided (continued)

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 property is recognised as "other income".

### 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

Grants under Job Support Scheme that compensate the Group for expenses incurred are recognised in profit or loss as "cost of sales" on a systematic basis in the periods in which the expenses are recognised.

Other government grants are recognised in the profit or loss as "other income".

### 3.16 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates 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*.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.16 Tax (Continued)

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, measured using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements 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 taxes reflects the tax consequences that would follow the manner in which the Group expects, at 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 carrying amount of the investment property is presumed to be recovered through sale, and the Group has not rebutted this presumption. 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, and reflects uncertainty related to income taxes, if any.

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 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.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.17 Earnings per share

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

### 3.18 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the 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 headquarter).

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

### 3.19 New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements.

The following amendments to SFRS(I)s are not expected to have a significant impact on the Group's consolidated financial statements and the Company's statement of financial position.

- SFRS(I) 17 *Insurance Contracts*
- *Classification of Liabilities as Current or Non-current (Amendments to SFRS(I) 1-1)*
- *Covid-19-Related Rent Concessions (Amendments to SFRS(I) 16)*
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to SFRS(I) 10 and SFRS(I) 1-28)*
- *Reference to the Conceptual Framework (Amendments to SFRS(I) 3)*
- *Property, Plant and Equipment – Proceeds before Intended Use (Amendments to SFRS(I) 1-16)*
- *Onerous Contracts – Costs of Fulfilling a Contract (Amendments to SFRS(I) 1-37)*
- *Annual Improvements to SFRS(I)s 2018 – 2020*
- *Amendment to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4, SFRS(I) 16: Interest Rate Benchmark Reform-Phase 2*
- *Amendments to SFRS(I) 17*
- *Amendments to SFRS(I) 4: Extension of the Temporary Exemption from Applying SFRS(I) 9*



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 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
<b>Cost</b>						
At 1 January 2019	7,676	27,742	2,496	7,422	527	45,863
Recognition of right-of-use asset on initial application of SFRS(I) 16	3,744	–	229	–	–	3,973
Adjusted balance at 1 January 2019	11,420	27,742	2,725	7,422	527	49,836
Additions	–	1,345	–	62	–	1,407
Transfers	–	2,073	–	–	–	2,073
Disposals	–	(1,320)	(871)	(583)	(4)	(2,778)
At 31 December 2019	11,420	29,840	1,854	6,901	523	50,538
At 1 January 2020	11,420	29,840	1,854	6,901	523	50,538
Additions	2,365	2,523	74	570	–	5,532
Disposals	–	(198)	–	(31)	–	(229)
At 31 December 2020	13,785	32,165	1,928	7,440	523	55,841
<b>Accumulated depreciation</b>						
At 1 January 2019	6,441	18,099	2,044	5,433	499	32,516
Recognition of right-of-use asset on initial application of SFRS(I) 16	3,120	–	27	–	–	3,147
Adjusted balance at 1 January 2019	9,561	18,099	2,071	5,433	499	35,663
Depreciation	1,070	1,573	317	282	12	3,254
Disposals	–	(1,269)	(862)	(520)	(4)	(2,655)
At 31 December 2019	10,631	18,403	1,526	5,195	507	36,262
At 1 January 2020	10,631	18,403	1,526	5,195	507	36,262
Depreciation	1,140	1,752	211	316	16	3,435
Disposals	–	(182)	–	(31)	–	(213)
At 31 December 2020	11,771	19,973	1,737	5,480	523	39,484
<b>Carrying amounts</b>						
At 1 January 2019	1,235	9,643	452	1,989	28	13,347
At 31 December 2019	789	11,437	328	1,706	16	14,276
At 31 December 2020	2,014	12,192	191	1,960	–	16,357



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 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
<b>Cost</b>						
At 1 January 2019	7,824	27,708	2,876	6,788	517	45,713
Recognition of right-of-use asset on initial application of SFRS(I) 16	3,744	–	229	–	–	3,973
Adjusted balance at 1 January 2019	11,568	27,708	3,105	6,788	517	49,686
Additions	–	1,345	–	62	–	1,407
Transfers	–	2,073	–	–	–	2,073
Disposals	–	(1,320)	(871)	(583)	(4)	(2,778)
At 31 December 2019	11,568	29,806	2,234	6,267	513	50,388
At 1 January 2020	11,568	29,806	2,234	6,267	513	50,388
Additions	2,231	2,460	–	491	–	5,182
Disposals	–	(198)	–	(31)	–	(229)
At 31 December 2020	13,799	32,068	2,234	6,727	513	55,341
<b>Accumulated depreciation</b>						
At 1 January 2019	6,564	18,069	2,435	4,800	478	32,346
Recognition of right-of-use asset on initial application of SFRS(I) 16	3,120	–	27	–	–	3,147
Adjusted balance at 1 January 2019	9,684	18,069	2,462	4,800	478	35,493
Depreciation	1,070	1,573	310	282	12	3,247
Disposals	–	(1,269)	(862)	(520)	(4)	(2,655)
At 31 December 2019	10,754	18,373	1,910	4,562	486	36,085
At 1 January 2020	10,754	18,373	1,910	4,562	486	36,085
Depreciation	1,098	1,748	216	300	27	3,389
Disposals	–	(182)	–	(31)	–	(213)
At 31 December 2020	11,852	19,939	2,126	4,831	513	39,261
<b>Carrying amounts</b>						
At 1 January 2019	1,260	9,639	441	1,988	39	13,367
At 31 December 2019	814	11,433	324	1,705	27	14,303
At 31 December 2020	1,947	12,129	108	1,896	–	16,080



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

In 2019, following OHM Engineering Pte Ltd's integration into the Company, the management combined the Mechanical and Electrical & Instrumentation ("E&I") CGUs as one CGU.

In 2020, for the purpose of impairment testing, the management has identified the CGUs according to the countries in which the Group operates in, namely Singapore, Malaysia and Taiwan.

#### *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:

	<b>2020</b>	<b>2019</b>
	%	%
Post-tax discount rate	8.6	9.7
Sales growth rate	7.0 – 8.0	3.0 – 5.0
Forecast period	5 years	5 years

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 were necessary as at the reporting date.

### 5 INTANGIBLE ASSET

<b>Group and Company</b>	<b>Licensing rights \$'000</b>
<b>Cost</b>	
At 1 January 2019, 31 December 2019 and 31 December 2020	1,487
<b>Accumulated amortisation</b>	
At 1 January 2019, 31 December 2019 and 31 December 2020	1,487
<b>Carrying amounts</b>	
At 1 January 2019, 31 December 2019 and 31 December 2020	–

#### **Impairment of intangible asset**

For the purpose of impairment testing, the intangible asset is allocated to the tube coating CGU.

In 2020 and 2019, the management assessed that there were no indicators of reversal of impairment.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 6 GOODWILL ON CONSOLIDATION

	<b>Group \$'000</b>
<b>Cost</b>	
At 1 January 2019, 31 December 2019 and 31 December 2020	1,636
<b>Accumulated impairment</b>	
At 1 January 2019, 31 December 2019 and 31 December 2020	1,636
<b>Carrying amounts</b>	
At 1 January 2019, 31 December 2019 and 31 December 2020	-

## 7 INVESTMENT PROPERTIES

	<b>Group and Company</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
At 1 January and 31 December	1,205	1,225

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 leasee. No contingent rents are charged.

Changes in fair values are recognised as losses in profit or loss and included in 'other operating expenses'. All losses 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 \$1,205,000 (2019: \$1,225,000) has been categorised as a Level 2 fair value based on the inputs to the valuation technique used (see Note 2.4).



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 7 INVESTMENT PROPERTIES (CONTINUED)

### (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 <sup>(1)</sup>	The estimated fair value varies with different adjustment factors used.

<sup>(1)</sup> Adjustments are made for any difference in the location, tenure, size and condition of the specific property.

## 8 SUBSIDIARIES

	Company	
	2020 \$'000	2019 \$'000
Unquoted equity investments, at cost	4,584	4,584
Allowance for impairment loss	(1,756)	(1,756)
	<u>2,828</u>	<u>2,828</u>

On 16 January 2020, a wholly-owned subsidiary, Mun Siong Engineering Sdn Bhd ("MSE (M)") entered into a Shareholders' Agreement with Mohamed Ridza Bin Mohamed Abdulla ("MRA") to set up a company, Pegasus Advance Engineering Sdn Bhd ("PAE (M)"). The total paid up capital of this company is \$245,000 (RM750,000).

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity held by the Company	
			2020 %	2019 %
OHM Engineering Pte Ltd	Mechanical and electrical engineering services	Singapore	100	100
Pegasus Advance Engineering Pte. Ltd. <sup>(1)</sup>	Investment holding company	Singapore	100	100





# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 8 SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity held by the Company	
			2020 %	2019 %
Mun Siong Engineering Sdn Bhd <sup>(2)</sup>	Provision of engineering services and contractor to the process industries in Malaysia	Malaysia	100	100
<b>Mun Siong Engineering Sdn Bhd and its subsidiary</b>				
Pegasus Advance Engineering Sdn Bhd <sup>(2),(3),(4)</sup>	Provision of project management and mechanical engineering services in Malaysia	Malaysia	49	–
<b>Pegasus Advance Engineering Pte. Ltd. and its subsidiaries</b>				
Pegasus Advance Engineering LLP	Provision of engineering, procurement and construction services as well as contractor to the process industries in India	India	100	100
Pegasus Advance Engineering Co., Ltd	Provision of engineering, procurement and construction services as well as contractor to the process industries in Myanmar	Myanmar	80	80
Pegasus Advance Engineering (Netherlands) BV	Investment holding company	Netherlands	100	100
Pegasus Advance Engineering (US) Inc	Investment holding company	United States	100	100

<sup>(1)</sup> Audited by KPMG LLP.

<sup>(2)</sup> Audited by KPMG PLT, Johor, Malaysia.

<sup>(3)</sup> Incorporated on 16 January 2020 with issued and paid up capital of RM750,000.

<sup>(4)</sup> Although the Group holds less than 50% equity stake in Pegasus Advance Engineering Sdn Bhd ("PAE(M)"), pursuant to a contractual agreement between the Group and Mohamed Ridza Bin Mohamed Abdulla ("MRA") in PAE(M), the Group controls the directors' voting power over the relevant activities of PAE(M). Accordingly, PAE(M) is considered a subsidiary of the Group.

### **Impairment loss**

In 2020 and 2019, the Company did not identify any indicator of impairment or reversal of impairment.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 9 INVESTMENT IN AN EQUITY-ACCOUNTED INVESTEE

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Interest in a joint venture	244	–	240	–

On 21 August 2019, the Company entered into a Shareholders' Agreement, Highbase Strategic Sdn Bhd to set up HIMS Integrated Services Sdn Bhd ("HIMS"). On 4 March 2020, the Company injected \$80,000 (RM245,000) as share capital into HIMS, resulting in a 49% equity stake in HIMS.

HIMS is structured as a separate vehicle and the Group has a residual interest in its net assets. Accordingly, the Group has classified its interest in HIMS as a joint venture, which is equity-accounted.

The following table summarises the financial information of HIMS, based on its financial statements prepared in accordance with SFRS(I).

	Group 2020 \$'000
Revenue	983
Profit from continuing operations <sup>a</sup>	9
OCI	–
<b>Total comprehensive income</b>	<b>9</b>
a Includes: depreciation of \$2,751	
Non-current assets	6
Current assets <sup>b</sup>	375
Current liabilities – trade and other payables and provisions	(207)
<b>Net assets</b>	<b>174</b>
b Includes cash and cash equivalents of \$165	
<b>Group's interest in net assets of an investee at the beginning of year</b>	<b>–</b>
Share of Group's interest in net assets of an investee	85
Capitalisation of legal fees	159
<b>Carrying amount of interest in an investee at end of the year</b>	<b>244</b>

During the year, following the incorporation of HIMS, legal fees amounting to \$159,000 was transferred from prepayments (Note 13) to investment in an equity-accounted investee.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 10 DEFERRED TAX LIABILITIES

Movements in temporary differences during the year are as follows:

	At 1 January 2019 \$'000	Recognised in profit or loss (Note 26) \$'000	At 31 December 2019 \$'000	Recognised in profit or loss (Note 26) \$'000	At 31 December 2020 \$'000
<b>Group</b>					
<i>Deferred tax assets</i>					
Unutilised capital allowances	(122)	122	–	(223)	(223)
Provisions	(52)	4	(48)	8	(40)
Trade and other receivables	–	–	–	25	25
	(174)	126	(48)	(190)	(238)
<i>Deferred tax liabilities</i>					
Property, plant and equipment	1,658	(29)	1,629	177	1,806
	1,484	97	1,581	(13)	1,568
<b>Company</b>					
<i>Deferred tax assets</i>					
Unutilised capital allowances	(122)	122	–	(223)	(223)
Provisions	(52)	4	(48)	8	(40)
Trade and other receivables	–	–	–	25	25
	(174)	126	(48)	(190)	(238)
<i>Deferred tax liabilities</i>					
Property, plant and equipment	1,658	(29)	1,629	170	1,799
	1,484	97	1,581	(20)	1,561

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	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Deferred tax liabilities	1,568	1,581	1,561	1,581



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 11 INVENTORIES

	<b>Group and Company</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Consumables, at cost	193	242

In 2020, changes in consumables recognised as cost of sales amounted to \$49,000 (2019: \$634,000).

### 12 CONTRACT ASSETS/(CONTRACT LIABILITIES)

	<b>Note</b>	<b>Group</b>		<b>Company</b>	
		<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Contract assets	(i)	10,002	16,228	9,699	16,052
Contract liabilities	(ii)	(1,243)	(144)	(1,243)	(144)
		<u>8,759</u>	<u>16,084</u>	<u>8,456</u>	<u>15,908</u>

#### (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 2020 and 2019 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:

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue recognised that was included in contract liabilities at the beginning of the year	144	82



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 13 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Trade receivables (net)	11,638	15,960	11,475	15,960
Amounts due from subsidiaries (non-trade)	–	–	1,394	183
Deposits	1,271	997	1,260	985
Other receivables	39	267	19	249
	12,948	17,224	14,148	17,377
Prepayments	1,179	1,596	1,175	1,462
	14,127	18,820	15,323	18,839

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.

In the previous financial year, prepayments included legal fees amounting to \$159,000 for setting up of an equity-accounted investee, HIMS Integrated Services Sdn Bhd ("HIMS"). During the year, following the incorporation of HIMS, this amount was transferred to investment in an equity-accounted investee (Note 9).

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 29.

### 14 CASH AND CASH EQUIVALENTS

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Cash at bank and on hand	24,624	12,777	21,307	12,140
Fixed deposits	13,113	14,586	12,043	12,859
Cash and cash equivalents in the consolidated statement of cash flows	37,737	27,363	33,350	24,999

Fixed deposits placed with financial institutions have maturity period within one to three months (2019: one month) from the financial year end and interest rates ranging from 0.20% to 1.80% (2019: 1.63% to 2.90%) 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 29.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 15 SHARE CAPITAL

	Ordinary shares	
	2020	2019
	Number of shares '000	Number of shares '000
<b>Company</b>		
In issue at 1 January and 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.

### Dividends

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

	Group and Company	
	2020	2019
	\$'000	\$'000
<b>Paid by the Company to owners of the Company</b>		
0.04 cents per ordinary share (2019: 0.03 cents), comprising a final dividend of 0.04 cents per ordinary share (2019: 0.03 cents)	72	174

In view of the Covid-19 situation, the Executive Chairlady, Ms Cheng Woei Fen and Executive Deputy Chairman, Mr Quek Kian Hui together with their immediate family members (Messrs Quek Keng Siong and Gabriel Quek Kian Teck), being substantial shareholders of the Company, had voluntarily waived off their entitlements of the FY2019 dividends, amounting to \$160,000.

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	
	2020	2019
	\$'000	\$'000
A final dividend of 0.04 cents per ordinary share (2019: 0.04 cents)	232	232

### 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.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 15 SHARE CAPITAL (CONTINUED)

### *Capital management (continued)*

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.

## 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 2020, the Group held 1,422,000 (2019: 2,022,000) of the Company's shares.

## 18 SHARE-BASED PAYMENT ARRANGEMENTS

### **Mun Siong Engineering Limited Performance Share Plan ("MSE PSP") (equity-settled)**

The MSE PSP was approved at an Annual General Meeting held on 20 April 2017, for granting of awards to eligible full time employees and Executive Directors. Details of the MSE PSP are disclosed in the Directors' statement.

On 21 February 2019, an award was granted by the Company to a qualifying employee pursuant to the MSE PSP in respect of 2,400,000 shares of the Company. Under the MSE PSP, a specified number of shares will be vested and released by the Committee in accordance with the release schedule to the participant subject to the achievement of certain pre-determined performance conditions. The vesting period and the release schedule is as follows:

- (a) The first tranche of the Award in respect of 800,000 shares had vested during the financial year ended 31 December 2019;
- (b) The second tranche of the Award in respect of 800,000 shares vested after the financial year ended 31 December 2019; and
- (c) The third tranche of the Award in respect of 800,000 shares vested after financial year ended 31 December 2020.

As the pre-determined performance conditions were met in 2020 and 2019, the first and second tranche of the Award in respect of 800,000 shares each tranche were vested under the MSE PSP.

### **Expense recognised in profit or loss**

For the current financial year, the Group has recognised a share-based compensation expense of \$38,000 (2019: \$38,000) in relation to the MSE PSP.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 19 LOANS AND BORROWINGS

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Non-current liabilities</b>				
Lease liabilities	879	179	834	179
Bank loans	4,583	–	4,583	–
	5,462	179	5,417	179
<b>Current liabilities</b>				
Lease liabilities	559	318	510	318
Bank loans	427	–	427	–
	986	318	937	318
<b>Total loans and borrowings</b>	<b>6,448</b>	<b>497</b>	<b>6,354</b>	<b>497</b>

### 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
<b>Group</b>					
<b>2020</b>					
Lease liabilities	SGD	1.6 to 2.9	2022-2024	1,402	1,344
Lease liabilities	MYR	3.5	2021-2023	98	94
Bank loans	SGD	2.0 to 2.1	2025	5,277	5,010
				6,777	6,448
<b>2019</b>					
Lease liabilities	SGD	2.3 to 2.9	2020-2024	528	497
<b>Company</b>					
<b>2020</b>					
Lease liabilities	SGD	1.6 to 2.9	2022-2024	1,402	1,344
Bank loans	SGD	2.0 to 2.1	2025	5,277	5,010
				6,679	6,354
<b>2019</b>					
Lease liabilities	SGD	2.3 to 2.9	2020-2024	528	497

The Group's and the Company's exposure to liquidity and interest rate risks for loans and borrowings are disclosed in Note 29.





# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 19 LOANS AND BORROWINGS (CONTINUED)

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

Group	Lease liabilities \$'000	Bank loans \$'000	Total \$'000
<b>At 1 January 2020</b>	497	–	497
<b>Changes from financing cash flows</b>			
Payment of lease liabilities	(550)	–	(550)
Interest paid	(29)	(28)	(57)
Proceeds from bank loans	–	5,000	5,000
<b>Total changes from financing cash flows</b>	(579)	4,972	4,393
<b>Other changes</b>			
<b>Liability-related</b>			
Lease modifications	1,140	–	1,140
New leases	351	–	351
Interest expense	29	38	67
<b>Total liability-related other changes</b>	1,520	38	1,558
<b>At 31 December 2020</b>	1,438	5,010	6,448
<b>At 1 January 2019</b>	100	–	100
Recognition of right-of-use asset on initial application of SFRS(I) 16	852	–	852
<b>Restated balance at 1 January 2019</b>	952	–	952
<b>Changes from financing cash flows</b>			
Payment of lease liabilities	(455)	–	(455)
Interest paid	(24)	–	(24)
<b>Total changes from financing cash flows</b>	(479)	–	(479)
<b>Other changes</b>			
<b>Liability-related</b>			
Interest expense	24	–	24
<b>Total liability-related other changes</b>	24	–	24
<b>At 31 December 2019</b>	497	–	497



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 20 PROVISIONS

- (i) Provision for restoration costs

	Group and Company	
	2020	2019
	\$'000	\$'000
Balance at 1 January	374	355
Provisions made during the year	870	–
Unwinding of discount	20	19
Balance at 31 December	1,264	374

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.

- (ii) Provision for reworks

	Group and Company	
	2020	2019
	\$'000	\$'000
Balance at 1 January	462	–
Provisions made during the year	–	462
Balance at 31 December	462	462

The provision for reworks relates to the estimated liability on all expenditure for the rework cost due to the joints quality problem specific to a particular project.

- (iii) Provision for onerous contracts

	Group and Company	
	2020	2019
	\$'000	\$'000
Balance at 1 January	–	–
Provisions made during the year	42	–
Balance at 31 December	42	–

The provision for onerous contracts is made when it is assessed that the costs to fulfil the performance obligation is unavoidable for loss-making contracts. It is expected that these costs will be incurred in the next financial year. In 2020, the provision for onerous contracts of \$42,000 relates to a loss-making ongoing project.

	Group and Company	
	2020	2019
	\$'000	\$'000
<b>Provisions</b>		
Non-current	1,264	374
Current	504	462
	1,768	836



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 21 TRADE AND OTHER PAYABLES

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Trade payables	6,278	7,916	6,089	7,848
Amounts due to subsidiaries				
–trade	–	–	451	379
–non-trade	–	–	–	930
Other payables and accruals	7,498	11,802	6,629	11,211
	<u>13,776</u>	<u>19,718</u>	<u>13,169</u>	<u>20,368</u>

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 and other payables are disclosed in Note 29.

### 22 REVENUE

	Group	
	2020 \$'000	2019 \$'000
Revenue from contracts with customers	<u>46,929</u>	<u>70,540</u>

As at 31 December 2020, the Group has revenue of \$10,873,000 (2019: \$15,782,000) which is expected to be recognised over the next year as the Group completes the work under contract.

The Group applied the practical expedient in SFRS(I) 15 paragraph 121 and did not disclose information about its remaining performance obligations if:

- the performance obligation was part of a contract that had an original expected duration of one year or less; or
- the Group had a right to invoice a customer in an amount that corresponded directly with its performance to date, then it recognised 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 are reviewed every reporting period and adjusted, where necessary, with the corresponding effect of change being recognised prospectively from the date of change.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 22 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 segment (see Note 28).

	Group	
	2020 \$'000	2019 \$'000
<b>Primary geographical markets</b>		
Singapore	43,702	60,578
Indonesia	182	1,024
India	–	254
Malaysia	1,624	795
Taiwan	1,421	7,889
	46,929	70,540

### 23 OTHER INCOME

	Group	
	2020 \$'000	2019 \$'000
Rental income	46	47
Gain on disposal of property, plant and equipment	2	77
Government grants	539	117
Sale of scraps and pinnacle pigs	534	848
Others	247	311
	1,368	1,400

### 24 FINANCE INCOME AND FINANCE COSTS

	Group	
	2020 \$'000	2019 \$'000
<b>Finance income</b>		
Interest income	170	377
<b>Finance costs</b>		
Financial liabilities measured at amortised costs – interest expense	(67)	(24)
Unwinding of discount on provision for restoration costs	(20)	(19)
	(87)	(43)



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 25 (LOSS)/PROFIT BEFORE TAX

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

	Group	
	2020	2019
	\$'000	\$'000
Staff costs	22,455	36,438
Contribution to defined contribution plans included in staff costs	1,005	1,014
Jobs support scheme grant	(1,989)	–
Equity-settled share-based payment transactions	38	38
Depreciation of property, plant and equipment	3,435	3,254
Operating expenses arising from rental of investment properties	13	14
Audit fees paid to:		
–auditors of the Company	141	113
–other auditors	7	8
Non-audit fees paid to auditors of the Company	5	10
(Write back)/provision for doubtful debts	(155)	155
Provision made for reworks	–	462
Net foreign exchange loss	60	70

### 26 TAX EXPENSE

	Group	
	2020	2019
	\$'000	\$'000
<b>Current tax expense</b>		
Current year	58	260
Under-provision in respect of prior years	255	11
	313	271
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(13)	97
Total tax expense	300	368
<b>Reconciliation of effective tax rate</b>		
(Loss)/profit before tax	(227)	869
Tax using the Singapore tax rate of 17% (2019: 17%)	(39)	148
Effect of tax rates in foreign jurisdictions	(14)	19
Non-deductible expenses	446	282
Tax exempt income	(348)	(82)
Tax incentives	–	(10)
Under-provision in respect of prior years	255	11
	300	368



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 27 EARNINGS PER SHARE

#### *Basic earnings per share*

The calculation of basic earnings per share at 31 December 2020 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*

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
(Loss)/profit for the year	(526)	496

*Weighted-average number of ordinary shares*

	<b>Number of shares 2020 '000</b>	<b>Number of shares 2019 '000</b>
Issued ordinary shares at 1 January	579,493	579,089
Effect of treasury shares	380	404
Weighted-average number of ordinary shares during the year	579,873	579,493

#### *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.

### 28 OPERATING SEGMENT

The Group's Executive Committee reviews internal management report at least on a monthly basis.

There is no change in the reportable segment in 2020. Following the integration of OHM Engineering Pte Ltd's operations into the Company in 2019, management has determined that the Group has one reportable segment – Mechanical, electrical, instrumentation and others.

Other services provided by the Group have been aggregated under the segment "Mechanical, electrical, instrumentation and others". None of these segments meets any of the quantitative thresholds for determining reportable segments in 2020 and 2019.

Information regarding the results of the reportable segment is included below. Performance is measured based on segment profit/(loss) before tax, as included in the internal management reports that are reviewed by the Group's Executive Committee. Segment profit/(loss) is used to measure performance as management believe that such information is the most relevant in evaluating the results of the segment relative to other entities that operate within these industries.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 28 OPERATING SEGMENT (CONTINUED)

### *Information about reportable segment*

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
External revenue	46,929	70,540
Inter-segment revenue	2,243	739
Total revenue	<u>49,172</u>	<u>71,279</u>
Interest income	170	377
Interest expenses	67	24
Depreciation of property, plant and equipment	<u>3,435</u>	<u>3,254</u>
Reportable segment (loss)/profit before tax	<u>(129)</u>	<u>1,058</u>
Reportable segment assets	76,275	76,523
Capital expenditure	3,174	3,480
Reportable segment liabilities	<u>23,235</u>	<u>21,195</u>

The Group initially applied SFRS(I)16 at 1 January 2019, which requires the recognition of right-of-use assets and lease liabilities for lease contracts that were previously classified as operating leases. As a result, the Group recognised \$826,000 of right-of-use assets and \$852,000 of liabilities from those lease contracts. The assets and liabilities are included in the Mechanical, electrical, instrumentation and others segment as at 31 December 2019.

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

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Revenues</b>		
Total revenue for reportable segment	49,172	71,279
Elimination of inter-segment revenue	<u>(2,243)</u>	<u>(739)</u>
Consolidated revenue	<u>46,929</u>	<u>70,540</u>
<b>(Loss)/profit</b>		
Total (loss)/profit for reportable segment	(129)	1,058
Elimination of inter-segment profits	(128)	(235)
Share of results of an equity-accounted investee	4	–
Fair value loss on investment properties	(20)	–
Unallocated segment profits	46	46
Consolidated (loss)/profit before tax	<u>(227)</u>	<u>869</u>



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 28 OPERATING SEGMENT (CONTINUED)

#### Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items (Continued)

	2020 \$'000	2019 \$'000
<b>Assets</b>		
Total assets for reportable segment	76,275	76,523
Investment properties	1,205	1,225
Investment in an equity-accounted investee	244	–
Right-of-use assets	2,141	406
Consolidated total assets	<u>79,865</u>	<u>78,154</u>
<b>Liabilities</b>		
Total liabilities for reportable segment	23,235	21,195
Current tax payable	488	269
Deferred tax liabilities	1,568	1,581
Consolidated total liabilities	<u>25,291</u>	<u>23,045</u>

#### Major customers

During the financial year ended 31 December 2020, revenue from three major customers of the Group totalled approximately \$29,555,000 (2019: \$44,723,000), representing 63% (2019: 63%) 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:

	2020 \$'000	2019 \$'000
Customer 1	16,993	27,886
Customer 2	6,311	8,584
Customer 3	6,251	8,253
	<u>29,555</u>	<u>44,723</u>

### 29 FINANCIAL RISK MANAGEMENT

#### Overview

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

- credit risk
- liquidity risk
- market risk

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





# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 29 FINANCIAL RISK MANAGEMENT (CONTINUED)

### *Risk management framework*

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

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

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

### *Credit risk*

Credit risk is the 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 \$13,796,000 (2019: \$14,288,000) of the carrying value of trade receivables and contract assets as at 31 December 2020. 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 trade 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.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 29 FINANCIAL RISK MANAGEMENT (CONTINUED)

### *Credit risk (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:

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Not credit-impaired</b>		
External credit ratings from S&P at least A+	10,472	14,288
Other customers:		
–Four or more years' trading history with the Group	9,411	8,424
–Less than four years' trading history with the Group	1,786	9,660
<b>Total gross carrying value</b>	21,669	32,372
Loss allowance	(29)	(184)
	21,640	32,188
	21,640	32,188
	<b>Company</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Not credit-impaired</b>		
External credit ratings from S&P at least A+	10,472	14,288
Other customers:		
–Four or more years' trading history with the Group	9,411	8,424
–Less than four years' trading history with the Group	1,320	9,484
<b>Total gross carrying value</b>	21,203	32,196
Loss allowance	(29)	(184)
	21,174	32,012
	21,174	32,012



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 29 FINANCIAL RISK MANAGEMENT (CONTINUED)

### **Credit risk (Continued)**

*Exposure to credit risk (Continued)*

*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:

	2020 \$'000	2019 \$'000
<b>Group and Company</b>		
<b>Individual impairments</b>		
At 1 January as per SFRS(I) 9	184	52
Amount written off	–	(23)
(Write back)/provision for doubtful debts	(155)	155
At 31 December as per SFRS(I) 9	29	184

*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.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 29 FINANCIAL RISK MANAGEMENT (CONTINUED)

### Liquidity risk (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:

Group	Carrying amount \$'000	Contractual cash flows \$'000	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000
<b>31 December 2020</b>					
<b>Non-derivative financial liabilities</b>					
Loans and borrowings	6,448	(6,777)	(1,104)	(5,673)	–
Trade and other payables	13,776	(13,776)	(13,776)	–	–
	<u>20,224</u>	<u>(20,553)</u>	<u>(14,880)</u>	<u>(5,673)</u>	<u>–</u>
<b>31 December 2019</b>					
<b>Non-derivative financial liabilities</b>					
Loans and borrowings	497	(528)	(332)	(196)	–
Trade and other payables	19,718	(19,718)	(19,718)	–	–
	<u>20,215</u>	<u>(20,246)</u>	<u>(20,050)</u>	<u>(196)</u>	<u>–</u>
<b>Company</b>					
<b>31 December 2020</b>					
<b>Non-derivative financial liabilities</b>					
Loans and borrowings	6,354	(6,679)	(1,051)	(5,628)	–
Trade and other payables	13,169	(13,169)	(13,169)	–	–
	<u>19,523</u>	<u>(19,848)</u>	<u>(14,220)</u>	<u>(5,628)</u>	<u>–</u>
<b>31 December 2019</b>					
<b>Non-derivative financial liabilities</b>					
Loans and borrowings	497	(528)	(332)	(196)	–
Trade and other payables	20,368	(20,368)	(20,368)	–	–
	<u>20,865</u>	<u>(20,896)</u>	<u>(20,700)</u>	<u>(196)</u>	<u>–</u>

### 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.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 29 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 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 are the US dollar (USD), Taiwanese dollar (TWD) and Malaysian ringgit (MYR).

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

	USD \$'000	TWD \$'000	MYR \$'000
<b>Group</b>			
<b>31 December 2020</b>			
Trade and other receivables	232	324	169
Cash and cash equivalents	9,133	841	1,041
Trade and other payables	–	(274)	(187)
Net exposure	9,365	891	1,023
<b>31 December 2019</b>			
Trade and other receivables	1,491	1	–
Cash and cash equivalents	9,342	162	–
Trade and other payables	(367)	(2,167)	–
Net exposure	10,466	(2,004)	–
<b>Company</b>			
<b>31 December 2020</b>			
Trade and other receivables	232	324	–
Cash and cash equivalents	8,924	841	–
Trade and other payables	–	(274)	–
Net exposure	9,156	891	–
<b>31 December 2019</b>			
Trade and other receivables	1,491	1	–
Cash and cash equivalents	9,342	162	–
Trade and other payables	(367)	(2,167)	–
Net exposure	10,466	(2,004)	–



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 29 FINANCIAL RISK MANAGEMENT (CONTINUED)

### *Sensitivity analysis*

A 10% strengthening of the Singapore dollar, as indicated below, against USD, TWD and MYR 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 2019.

	<b>Group Profit or loss \$'000</b>	<b>Company Profit or loss \$'000</b>
<b>2020</b>		
USD	(937)	(916)
TWD	(89)	(89)
MYR	(102)	-
	<hr/> <hr/>	<hr/> <hr/>
<b>2019</b>		
USD	(1,047)	(1,047)
TWD	200	200
	<hr/> <hr/>	<hr/> <hr/>

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

### **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:

	<b>Nominal amount</b>	
	<b>2020 \$'000</b>	<b>2019 \$'000</b>
<b>Group</b>		
<b>Fixed rate instruments</b>		
Cash and cash equivalents	13,113	14,586
Bank loans	(5,010)	-
Lease liabilities	(1,438)	(497)
	<hr/> <hr/>	<hr/> <hr/>
	6,665	14,089
	<hr/> <hr/>	<hr/> <hr/>
<b>Company</b>		
<b>Fixed rate instruments</b>		
Cash and cash equivalents	12,043	12,859
Bank loans	(5,010)	-
Lease liabilities	(1,344)	(497)
	<hr/> <hr/>	<hr/> <hr/>
	5,689	12,362
	<hr/> <hr/>	<hr/> <hr/>



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 29 FINANCIAL RISK MANAGEMENT (CONTINUED)

### *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 \$'000	Other financial liabilities \$'000	Total carrying amount \$'000	Fair value \$'000
<b>Group</b>					
<b>31 December 2020</b>					
Trade and other receivables*	13	12,948	–	12,948	12,948
Cash and cash equivalents	14	37,737	–	37,737	37,737
		50,685	–	50,685	50,685
Bank loans	19	–	5,010	5,010	5,277
Trade and other payables	21	–	13,776	13,776	13,776
		–	18,786	18,786	19,053
<b>31 December 2019</b>					
Trade and other receivables*	13	17,224	–	17,224	17,224
Cash and cash equivalents	14	27,363	–	27,363	27,363
		44,587	–	44,587	44,587
Trade and other payables	21	–	19,718	19,718	19,718

\* Excludes prepayments.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 29 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### *Accounting classifications and fair values (Continued)*

*Fair values versus carrying amounts (Continued)*

	Note	Amortised cost \$'000	Other financial liabilities \$'000	Total carrying amount \$'000	Fair value \$'000
<b>Company</b>					
<b>31 December 2020</b>					
Trade and other receivables*	13	14,148	–	14,148	14,148
Cash and cash equivalents	14	33,350	–	33,350	33,350
		47,498	–	47,498	47,498
Bank loans	19	–	5,010	5,010	5,277
Trade and other payables	21	–	13,169	13,169	13,169
		–	18,179	18,179	18,446
<b>31 December 2019</b>					
Trade and other receivables*	13	17,377	–	17,377	17,377
Cash and cash equivalents	14	24,999	–	24,999	24,999
		42,376	–	42,376	42,376
Trade and other payables	21	–	20,368	20,368	20,368

\* Excludes prepayments.

### 30 DETERMINATION OF FAIR VALUES

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

#### (a) *Investment properties*

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

#### (b) *Bank loans*

Fair value, which is determined for disclosure purposes for bank loans, 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.





## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 30 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.

### 31 RELATED PARTY TRANSACTIONS

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

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Directors' fees	125	122
Directors' remunerations	380	360
	505	482

### 32 LEASES

#### **Leases as lessee (SFRS(I) 16)**

The Group leases a piece of land from Jurong Town Corporation ("JTC") for a term of 30 years with effect from August 1980 with an option to renew the lease for another 10 years. On 9 March 2020, the Group has accepted the offer from JTC to extend the lease of its current premises at 35 Tuas Road for another 3 years, expiring on 16 August 2023, upon expiry date of 15 August 2020.

The Group leases office equipment from Fuji Xerox and Ethoz for a term of 5 years from 2016, 2017 and 2018 respectively.

Information about leases for which the Group is a lessee is presented below.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 32 LEASES (CONTINUED)

#### Right-of-use assets

Right-of-use assets related to leased land that do not meet the definition of investment property are presented as property, plant and equipment (see Note 4).

	Leasehold property \$'000	Office equipment \$'000	Total \$'000
<b>2020</b>			
Balance at 1 January	250	156	406
Additions to right-of-use assets	2,358	–	2,358
Depreciation charge for the year	(576)	(47)	(623)
<b>Balance at 31 December</b>	<b>2,032</b>	<b>109</b>	<b>2,141</b>
<b>2019</b>			
Balance at 1 January	624	202	826
Depreciation charge for the year	(374)	(46)	(420)
<b>Balance at 31 December</b>	<b>250</b>	<b>156</b>	<b>406</b>

#### Amounts recognised in profit or loss

	2020 \$'000	2019 \$'000
<b>Leases under SFRS(I) 16</b>		
Interest on lease liabilities	29	24

#### Amounts recognised in statement of cash flows

	2020 \$'000	2019 \$'000
<b>Total cash outflow for leases</b>	<b>579</b>	<b>479</b>

#### Leases as lessor

The Group leases out its investment properties consisting of its owned commercial properties (see Note 7). All leases are classified as operating leases from a lessor perspective.

#### Operating leases

The Group leases out its investment properties. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Rental income from investment properties recognised by the Group during 2020 was \$46,000 (2019: \$47,000). Note 7 sets out information about the operating leases of investment property.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 32 LEASES (CONTINUED)

#### Operating leases (Continued)

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	<b>Group and Company \$'000</b>
<b>2020</b>	
Less than one year	<u>46</u>
<b>2019</b>	
Less than one year	<u>47</u>

### 33 SUBSEQUENT EVENTS

- (a) On 4 February 2021, the Company injected its remaining uncalled share capital of RM245,000 (equivalent to \$82,000) into an equity-accounted investee, HIMS Integrated Services Sdn Bhd ("HIMS"). Under the Shareholders' Agreement which was dated 21 August 2019, both parties agreed that RM1,000,000 (equivalent to \$327,000) will be the paid-up capital of HIMS. With this injection, the Company's total investment into HIMS will be RM490,000 (equivalent to \$160,000), which is in accordance with the shareholders' agreement. As the Group's equity interests in HIMS remain unchanged at 49%, the Group continues to classify HIMS as an equity-accounted investee.
- (b) On 4 March 2021, the Company announced that it had awarded 2,400,000 shares to an employee under the Company's Performance Share Plan. The first tranche of the award in respect of 800,000 shares will vest after the financial year ended 31 December 2021. The second tranche of the award in respect of 800,000 shares will vest after the financial year ended 31 December 2022. The third tranche of the award in respect of 800,000 shares vested after the financial year ending 31 December 2023.
- (c) On 5 March 2021, the Company's subsidiary, Pegasus Advance Engineering Sdn Bhd ("PAE M"), has entered into a Sales and Purchase Agreement, to acquire a 60 years leasehold industrial land and building ("Property") in the district of Kota Tinggi, Johor, Malaysia. The purchase consideration for this Property is RM6.4 million (equivalent to \$2.1 million). PAE M had placed a 10% deposit of RM640,000 (equivalent to \$211,000) to the seller. The completion of the acquisition is subject to fulfilment of the conditions precedent and regulatory approvals for the transfer of land title to PAE M.



## STATISTICS OF SHAREHOLDINGS

As at 18 March 2021

<b>TOTAL NUMBER OF ISSUED SHARES</b>	:	581,546,400
<b>TOTAL NUMBER OF ISSUED SHARES EXCLUDING TREASURY SHARES AND SHARES HELD BY A SUBSIDIARY (IF ANY)</b>	:	580,124,400
<b>TOTAL NUMBER AND PERCENTAGE OF TREASURY SHARES</b>	:	1,422,000 (0.24%)
<b>TOTAL NUMBER AND PERCENTAGE OF SHARES HELD BY A SUBSIDIARY</b>	:	NIL
<b>CLASS OF SHARES</b>	:	ORDINARY
<b>VOTING RIGHTS</b>		
- 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	190	14.38	2,301	0.00
100 -1,000	189	14.31	178,374	0.03
1,001 – 10,000	262	19.83	1,615,399	0.28
10,001 – 1,000,000	655	49.59	66,743,090	11.50
1,000,001 AND ABOVE	25	1.89	511,585,236	88.19
<b>TOTAL</b>	<b>1,321</b>	<b>100.00</b>	<b>580,124,400</b>	<b>100.00</b>

### TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CHENG WOEI FEN	278,997,600	48.09
2	QUEK KIAN HUI (GUO JIANHUI)	86,376,800	14.89
3	GABRIEL QUEK KIAN TECK	33,516,000	5.78
4	PHILLIP SECURITIES PTE LTD	18,995,180	3.27
5	DBS NOMINEES (PRIVATE) LIMITED	13,990,246	2.41
6	OCBC SECURITIES PRIVATE LIMITED	12,513,900	2.16
7	SINGAPORE WAREHOUSE CO PTE LTD	9,400,000	1.62
8	UOB KAY HIAN PRIVATE LIMITED	9,170,000	1.58
9	LIN YAN	7,266,000	1.25
10	GLOBAL TRADE INVESTMENT MANAGEMENT PTE LTD	7,095,000	1.22
11	ABN AMRO CLEARING BANK N.V.	5,828,800	1.00
12	NG HIAN CHOW	3,888,000	0.67
13	KOH SER KIONG	3,300,000	0.57
14	QUEK KENG SIONG	2,651,400	0.46
15	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,180,510	0.38
16	ANG CHOR KHOON	2,119,000	0.37
17	TEO SOON HOCK	2,041,000	0.35
18	CHEN ENG SHEE	2,000,000	0.34
19	TAY HWA LANG @ TAY AH KOU OR JORDAN TAY SHIH LIANG	1,870,000	0.32
20	TAN HAI PENG MICHEAL	1,800,000	0.31
<b>TOTAL</b>		<b>504,999,436</b>	<b>87.04</b>



# STATISTICS OF SHAREHOLDINGS

As at 18 March 2021

## RULE 723 COMPLIANCE

Based on the information available to the Company as at 18 March 2021, 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	
	Direct Interest	%	Deemed Interest	%
CHENG WOEI FEN*	278,997,600	48.09%	36,167,400	6.23%
GABRIEL QUEK KIAN TECK	33,516,000	5.78%	0	0
QUEK KIAN HUI	86,376,800	14.89%	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 2021, the Company held 1,422,000 treasury shares, representing 0.24% 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 via electronic means on Friday, 23 April 2021 at 3.00 p.m. for the following purposes:

## ORDINARY BUSINESSES

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2020, together with the Auditors’ Report thereon. **[Resolution 1]**
2. To re-elect the following Directors of the Company retiring pursuant to the Constitution of the Company:
  - i) Cheng Woei Fen (Regulation 108) **[Resolution 2]**  
*[See Explanatory Note 1]*
  - ii) David Tan Chao Hsiung (Regulation 108) **[Resolution 3]**  
*[See Explanatory Note 2]*
  - iii) Lau Teik Soon (Regulation 108) **[Resolution 4]**  
*[See Explanatory Note 3]*
3. Pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”) which will take effect from 1 January 2022, Shareholders to approve the continued appointment of Mr David Tan Chao Hsiung as an Independent Director, and that upon due approval, the approval shall remain in force until the earlier of: (a) the retirement or resignation of Mr David Tan Chao Hsiung; or (b) the conclusion of the third Annual General Meeting (“AGM”) from the aforesaid approval. **[Resolution 5]**  
*[See Explanatory Note 4]*
4. Contingent upon the passing of Ordinary Resolution 5 and pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST which will take effect from 1 January 2022, Shareholders, excluding the directors, the chief executive officer and their associates, to approve the continued appointment of Mr David Tan Chao Hsiung as an Independent Director, and that upon due approval, the approval shall remain in force until the earlier of: (a) the retirement or resignation of Mr David Tan Chao Hsiung; or (b) the conclusion of the third AGM from the aforesaid approval. **[Resolution 6]**  
*[See Explanatory Note 4]*
5. Pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST which will take effect from 1 January 2022, Shareholders to approve the continued appointment of Dr Lau Teik Soon as an Independent Director, and that upon due approval, the approval shall remain in force until the earlier of: (a) the retirement or resignation of Dr Lau Teik Soon; or (b) the conclusion of the third AGM from the aforesaid approval. **[Resolution 7]**  
*[See Explanatory Note 5]*
6. Contingent upon the passing of Ordinary Resolution 7 and pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST which will take effect from 1 January 2022, Shareholders, excluding the directors, the chief executive officer and their associates, to approve the continued appointment of Dr Lau Teik Soon as an Independent Director, and that upon due approval, the approval shall remain in force until the earlier of: (a) the retirement or resignation of Dr Lau Teik Soon; or (b) the conclusion of the third AGM from the aforesaid approval. **[Resolution 8]**  
*[See Explanatory Note 5]*
7. To declare a first and final dividend of 0.04 cents per ordinary share tax-exempt (one-tier) for the financial year ended 31 December 2020. **[Resolution 9]**
8. To approve the payment of Directors’ fees of up to S\$116,000 for the financial year ending 31 December 2021 to be payable quarterly in arrears (2020: S\$125,000). **[Resolution 10]**



## NOTICE OF ANNUAL GENERAL MEETING

9. To re-appoint Messrs KPMG LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration. **[Resolution 11]**
10. 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.

11. **Authority to allot and issue shares and convertible securities** **[Resolution 12]**

"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 100% 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);



## NOTICE OF ANNUAL GENERAL MEETING

- (2) (subject to such manner of calculation and adjustment as may be prescribed by the SGX-ST for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares 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, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and
  - (c) any subsequent bonus issue, consolidation or subdivision of shares;

Adjustments in accordance with sub-paragraph (2)(a) or sub-paragraph (2)(b) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution.

- (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 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 6]*

### **12. Proposed renewal of the authority to issue shares under the MSE Performance Share Plan [Resolution 13]**

“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 7]*





## NOTICE OF ANNUAL GENERAL MEETING

### 13. Proposed renewal of the share purchase mandate

[Resolution 14]

“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 8]*

### By Order of the Board

Shirley Tan Sey Liy  
Fiona Lim Pei Pei  
Company Secretaries  
Singapore, 8 April 2021



# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Notes:

1. **Cheng Woei Fen**, if re-elected, will remain as the Executive Chairlady. Please refer to page 20 of the Corporate Governance in the Annual Report 2020 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 Non-Executive Independent Director by the Board of Directors of the Company pursuant to Rule 704(8) of the Listing Manual of the SGX-ST and will remain as the Chairman of the Audit Committee and a member of the Remuneration and the Nominating Committees respectively. There are no relationships (including immediate family relationships) between Mr David Tan Chao Hsiung and the other Directors of the Company, the Company, its related corporations, its substantial shareholders or its officers which may affect his independence. Please refer to page 21 of the Corporate Governance in the Annual Report 2020 for the detailed information as required pursuant to Rule 720(6) of the Listing Manual of SGX-ST.
3. **Lau Teik Soon**, if re-elected, will be considered an Non-Executive Independent Director by the Board of Directors of the Company pursuant to Rule 704(8) of the Listing Manual of the SGX-ST and will remain as the Chairman of the Nominating Committee and a member of the Audit and the Remuneration Committees respectively. There are no relationships (including immediate family relationships) between Dr Lau Teik Soon and the other Directors of the Company, the Company, its related corporations, its substantial shareholders or its officers which may affect his independence. Please refer to page 21 of the Corporate Governance in the Annual Report 2020 for the detailed information as required pursuant to Rule 720(6) of the Listing Manual of SGX-ST.
4. Pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST which will take effect from 1 January 2022, Mr David Tan Chao Hsiung, having served on the Board beyond nine (9) years from the date of his first appointment, will not be considered an Independent Director on 1 January 2022 unless his appointment as an Independent Director is approved in separate resolutions by (A) all Shareholders and (B) Shareholders, excluding the directors, the chief executive officer and their associates. The Company is seeking at this AGM to obtain the required approval in separate resolutions by (A) by all Shareholders and (B) Shareholders, excluding the directors, the chief executive officer and their associates prior to 1 January 2022 as required for his continued appointment as an Independent Director. **Ordinary Resolutions 5 and 6**, if passed, will enable Mr David Tan Chao Hsiung to continue his appointment as an Independent Director (unless the appointment has been changed subsequent to the AGM) pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST and to Provisions 2.1 of the Code of Corporate Governance 2018 and the approvals shall remain in force until the earlier of (a) his retirement or resignation; or (b) the conclusion of the third AGM of the Company. Resolution 5 is conditional upon Resolution 6 being duly approved, else the aforesaid director will be designated as Non-Independent Director from 1 January 2022 and the Board will consider other alternative including refreshment of the Board.
5. Pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST which will take effect from 1 January 2022, Dr Lau Teik Soon, having served on the Board beyond nine (9) years from the date of his first appointment, will not be considered an Independent Director on 9 April 2022 unless his appointment as an Independent Director is approved in separate resolutions by (A) all Shareholders and (B) Shareholders, excluding the directors, the chief executive officer and their associates. The Company is seeking at this AGM to obtain the required approval in separate resolutions by (A) by all Shareholders and (B) Shareholders, excluding the directors, the chief executive officer and their associates prior to 1 January 2022 as required for his continued appointment as an Independent Director. **Ordinary Resolutions 7 and 8**, if passed, will enable Dr Lau Teik Soon to continue his appointment as an Independent Director (unless the appointment has been changed subsequent to the AGM) pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST and to Provisions 2.1 of the Code of Corporate Governance 2018 and the approvals shall remain in force until the earlier of (a) his retirement or resignation; or (b) the conclusion of the third AGM of the Company. Resolution 7 is conditional upon Resolution 8 being duly approved, else the aforesaid director will be designated as Non-Independent Director from 9 April 2022 and the Board will consider other alternative including refreshment of the Board.
6. **Resolution 12**, 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 100% 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 were issued and outstanding or subsisting at the time when this Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

7. **Resolution 13**, 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.



# NOTICE OF ANNUAL GENERAL MEETING

8. **Resolution 14** 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 2017. 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 2020 are set out in greater detail in the Addendum dispatched together with the Annual Report 2020.

## Notes:

1. The Annual General Meeting ("**AGM**") is being convened, and will be held, by electronic means pursuant to the Covid-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Accordingly, this Notice will be sent to members by electronic means via publication on the Company's corporate website at the URL <https://www.mun-siong.com/investors-relations> and is also made available on SGXNet at the URL <https://www.sgx.com/securities/company-announcements>. For convenience, printed copies of this Notice will also be sent by post to members.
2. Due to the current Covid-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live video conference or live audio conference, submission of questions to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions prior to the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the accompanying Company's announcement dated 8 April 2021. This announcement may be accessed at the Company's corporate website and on SGXNet. For convenience, printed copies of this announcement will also be sent by post to members.
3. Members who wish to observe and/or listen to the AGM proceedings through a live video conference or live audio conference must pre-register at the Company's pre-registration website at the URL <https://www.mun-siong.com/agm-registration> by 3.00 p.m. on 20 April 2021 to enable the verification of members' status.

Following the verification, authenticated members will receive a confirmation email, which will contain the instructions to access the live video conference or the live audio conference of the AGM proceedings, by 5.00 p.m. on 22 April 2021. Members who do not receive a confirmation email by 5.00 p.m. on 22 April 2021, but have registered by the 20 April 2021 deadline, should email the Company for assistance at [Agm-assist@mun-siong.com](mailto:Agm-assist@mun-siong.com) with the full name of the shareholder and his/her identification number for assistance.

4. Members may also submit questions related to the resolutions to be tabled for approval at the AGM, in advance of the AGM, in the following manner by 3.00 p.m. on 20 April 2021:
  - (a) by mail to the Company's registered office at 35 Tuas Road, Jurong Town, Singapore 638496; or
  - (b) input your questions in <https://www.mun-siong.com/agm-registration>.

The Company will endeavour to address all substantial and relevant questions submitted during the AGM. The Company has adopted an interactive platform for the AGM and shareholders are allowed to ask questions during the AGM. The responses to such questions, together with the minutes of the AGM will be published on (i) the SGX's website (ii) the Company's corporate website, within one month after the date of the AGM.

5. A member (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM. The accompanying proxy form may be accessed at the Company's corporate website and on SGXNet. For convenience, printed copies of the proxy form will also be sent by post to members.
6. In appointing the Chairman of the AGM as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.
7. CPFIS and SRS investors who hold Mun Siong shares through CPF Agent Banks or SRS Operators and who wish to request their CPF Agent Banks or SRS Operators to appoint the Chairman of the AGM as their proxy in respect of the Mun Siong shares held by such CPF Agent Banks or SRS Operators on their behalf should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 3.00 p.m. on 13 April 2021.
8. The Chairman of the AGM, as proxy, need not be a member of the Company.
9. The instrument appointing the Chairman of the AGM as proxy must be submitted to the Company in the following manner:
  - (a) mail to the Company's registered office at 35 Tuas Road, Jurong Town, Singapore 638496; or
  - (b) email to [Proxyform@mun-siong.com](mailto:Proxyform@mun-siong.com)

in each case, by 3.00 p.m. on 20 April 2021, being no later than 72 hours before the time fixed for the AGM.



## NOTICE OF ANNUAL GENERAL MEETING

10. The Company's Annual Report 2020 dated 8 April 2021 has been published and may be accessed at the Company's corporate website at the URL <https://www.mun-siong.com/investors-relations> "Annual Report 2020" and is also made available on SGXNet at the URL <https://www.sgx.com/securities/company-announcements>.

**Personal data privacy:**

By (a) submitting an instrument appointing the Chairman of the Meeting as proxy to vote at the AGM of the Company and/or any adjournment thereof, or (b) submitting details for the registration to observe the proceedings of the AGM of the Company via live video conference or live audio conference, or (c) submitting any questions prior to the AGM of the Company in accordance with this Notice, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the following purposes:

- (i) processing, administration and analysis by the Company (or its agents or service providers) of the instruments appointing the Chairman of the Meeting as proxy for the AGM of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM of the Company (including any adjournment thereof);
- (ii) processing of the registration for purpose of granting access to members (or their corporate representatives in the case of members which are legal entities) to the live video conference or live audio conference only to observe the proceedings of the AGM of the Company and providing them with any technical assistance where necessary;
- (iii) addressing substantial and relevant questions from members received before the AGM of the Company and if necessary, following up with the relevant members in relation to such questions; and
- (iv) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines by the relevant authorities.

The member's personal data may be disclosed or transferred by the Company to its subsidiaries, its share registrar and/or other agents or bodies for any of the abovementioned purposes, and retained for such period as may be necessary for the Company's verification and record purposes. Photographic, sound and/or video recordings of the AGM of the Company may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared for the AGM by the Company. Accordingly, the personal data of a member (such as his name, his presence at the AGM of the Company and any questions he may raise or motions he propose/second) may be recorded by the Company for such purposes.

# MUN SIONG ENGINEERING LIMITED

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

## Proxy Form Annual General Meeting

### IMPORTANT

1. Due to the current Covid-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. If a member (whether individual or corporate) wishes to exercise his/her/its votes, he/she/it must submit a proxy form to appoint the Chairman of the Meeting to vote on his/her/its behalf. A member (whether individual or corporate) appointing the Chairman of the Meeting as proxy must give specific instructions as to his/her/its manner of voting, or abstentions from voting, in the proxy form, failing which the appointment for that resolution will be treated as invalid.
2. Persons, who would have been able to be appointed as proxies by relevant intermediaries under Section 181(1C) of the Companies Act, such as Central Provident Fund Investment Scheme ("CPF Investors") and Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) and wishes to appoint the Chairman of the Meeting as their proxy should approach their respective relevant intermediaries (e.g. CPF/SRS Approved Nominees such as CPF Agent Banks or SRS Operators) to submit their votes by 3 p.m. on 13 April 2021, being seven (7) working days before the annual general meeting.
3. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We \_\_\_\_\_ NRIC/Passport No. \_\_\_\_\_

of \_\_\_\_\_ (Address)  
being a \*member/members of MUN SIONG ENGINEERING LIMITED (the "Company") hereby appoint 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 via electronic means on Friday, 23 April 2021 at 3.00 p.m., and at any adjournment thereof.

\* I/We have directed the Chairman of the Meeting being \*my/our proxy, to vote for or against, or to abstain on the Resolutions to be proposed at the Meeting indicated hereunder. Shareholders must specifically indicate how they wish to vote for or vote against (or abstain from voting on) in respect of a resolution set out in the proxy form, failing which, the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

**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 or abstain the resolutions as set out in the Notice of Annual General Meeting. If you mark the abstain box for a particular resolution, you are directing the Chairman of the Meeting not to vote on that resolution on a poll and your votes will not be counted in computing the required majority on a poll.

No.	Description of Resolutions	For	Against	Abstain
1.	Adoption of the Directors' Statement and the audited financial statements of the Company for the financial year ended 31 December 2020 together with the Auditors' report thereon.			
2.	Re-election of Cheng Woei Fen as a Director of the Company			
3.	Re-election of David Tan Chao Hsiung as a Director of the Company			
4.	Re-election of Lau Teik Soon as a Director of the Company			
5.	Approval of David Tan Chao Hsiung's continued appointment as an Independent Director by shareholders			
6.	Approval of David Tan Chao Hsiung's continued appointment as an Independent Director by shareholders (excluding the directors, the chief executive officer and their associates)			
7.	Approval of Lau Teik Soon's continued appointment as an Independent Director by shareholders			
8.	Approval of Lau Teik Soon's continued appointment as an Independent Director by shareholders (excluding the directors, the chief executive officer and their associates)			
9.	First and Final Dividends			
10.	Approval of Directors' fees for financial year ending 31 December 2021			
11.	Re-appointment of Messrs KPMG LLP as Auditors			
12.	Authority to allot and issue shares and convertible securities			
13.	Proposed renewal of the authority to issue shares under the MSE Performance Share Plan			
14.	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 \_\_\_\_\_ 2021

<b>Total Number of Shares Held</b>



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

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

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**Notes:-**

**Due to the current Covid-19 situation and the related safe distancing measures in Singapore, a member will not be able to attend the Meeting in person. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the Meeting, he/she/it must submit an instrument of proxy to appoint the Chairman of the Meeting as proxy to attend and vote on his/her/its behalf at the Meeting.**

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 of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. 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 of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. A member of the Company (including a Relevant Intermediary), entitled to vote at the meeting of the Company must appoint Chairman of the Meeting to act as proxy and direct the vote at the Meeting.
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. However, during the Covid-19 situation, any member who is a relevant intermediary must appoint Chairman of the Meeting to act as his/her/their proxy and direct the vote at the Meeting.

Relevant intermediary is either:

- (i) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
- (ii) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or
- (iii) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

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**MUN SIONG ENGINEERING LIMITED**

35 TUAS ROAD  
JURONG TOWN  
SINGAPORE 638496

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4. The instrument appointing the Chairman of the Meeting as proxy must be mailed to or deposited at the Company's registered office at 35 Tuas Road, Jurong Town, Singapore 638496 or email to [Proxyform@mun-siong.com](mailto:Proxyform@mun-siong.com) not less than seventy-two (72) hours before the time appointed for the Meeting.
5. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy 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 the Chairman of the Meeting as proxy 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 seventy-two (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 the Chairman of the meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 8 April 2021.

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Cheng Woei Fen**  
*Executive Chairlady*

**Quek Kian Hui**  
*Executive Deputy Chairman*

**David Tan Chao Hsiung**  
*Non-Executive Lead Independent Director*

**Lau Teik Soon**  
*Non-Executive Independent Director*

**Mah Kai Leong**  
*Non-Executive Independent Director*

## AUDIT COMMITTEE

**David Tan Chao Hsiung**  
*Chairman*

**Lau Teik Soon**

**Mah Kai Leong**

## REMUNERATION COMMITTEE

**Mah Kai Leong**  
*Chairman*

**David Tan Chao Hsiung**

**Lau Teik Soon**

## NOMINATING COMMITTEE

**Lau Teik Soon**  
*Chairman*

**David Tan Chao Hsiung**

**Mah Kai Leong**

## EXECUTIVE COMMITTEE

**Quek Kian Hui**  
*Chairman*

**Cheng Woei Fen**  
*(Adviser)*

**John L. Parkinson**  
*Technical Director*

**Lin Yan**  
*Senior Director*

**Teo Kheng Hock**  
*Specialised Services Director*

**Lim Poon Kheng**  
*Finance Director*

**Narayanan Parthasarathy**  
*Maintenance Director*

**Jass Jumaat Satin**  
*Maintenance Director*

## COMPANY SECRETARIES

**Shirley Tay Sey Liy**

**Fiona Lim Pei Pei**

## 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

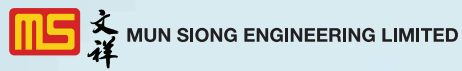
United Overseas Bank Limited  
80 Raffles Place, UOB Plaza  
Singapore 048624

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

## AUDITORS

KPMG LLP  
Public Accountants and  
Chartered Accountants  
16 Raffles Quay  
#22-00 Hong Leong Building  
Singapore 048581  
(Appointed Engagement Partner  
since financial year ended  
31 December 2018:  
Ms Voo Poh Jee)



(Company Reg. No. 196900250M)

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