MUN SIONG ENGINEERING LIMITED

MOVING TOWARDS A GREEN FUTURE

ANNUAL REPORT 2021

CONTENTS

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, customers (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**") 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

2020

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

2019

- 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.

2018

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

2017

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

2015

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

2013

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

2011

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

2010

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

2000

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

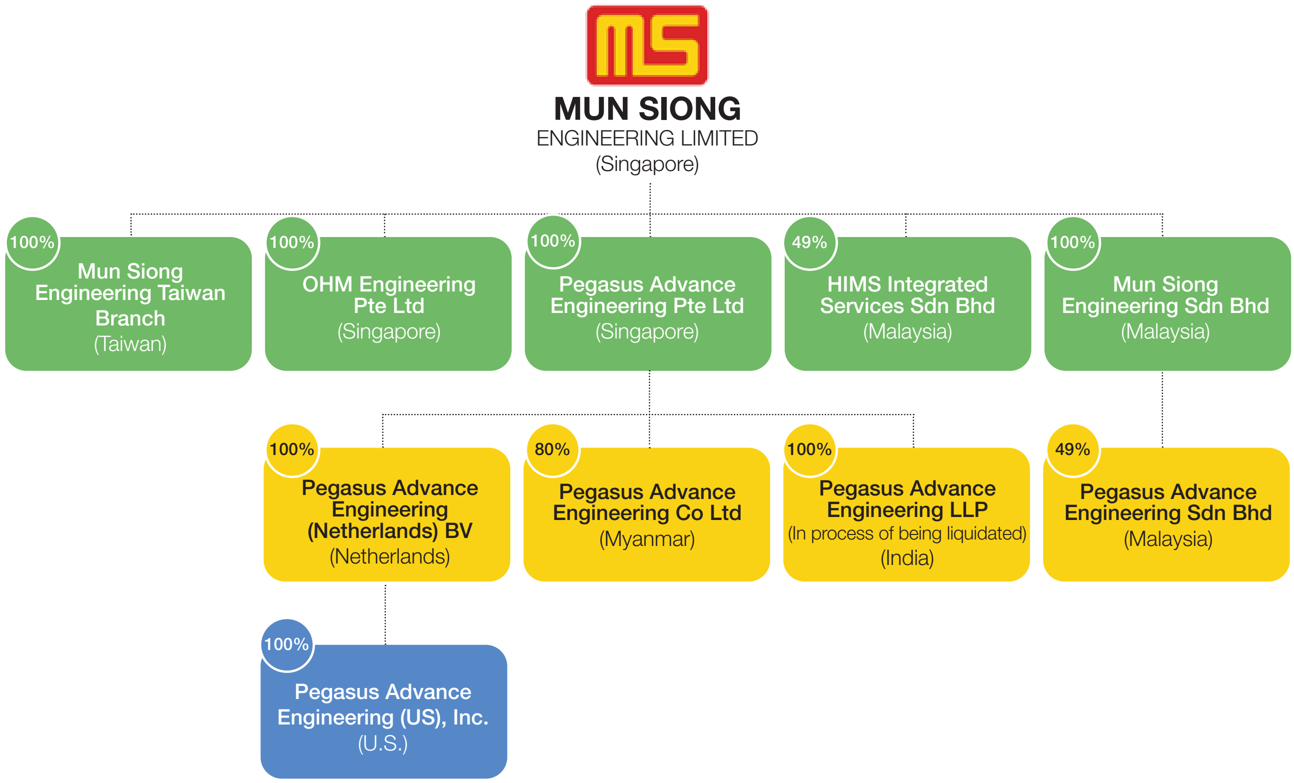
1980

- Expanded overseas to execute projects in Malaysia & Indonesia

1969

- Incorporated Mun Siong Engineering Pte Ltd

CORPORATE STRUCTURE

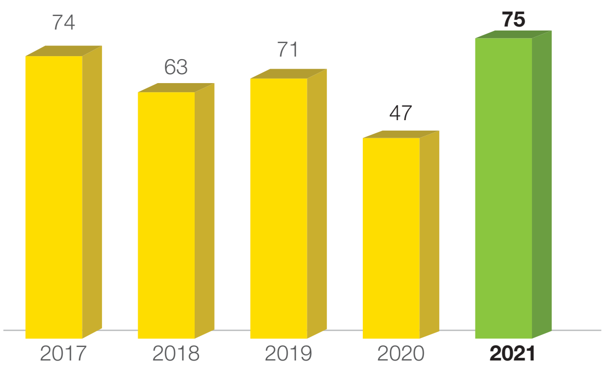


OUR INTEGRATED SERVICES

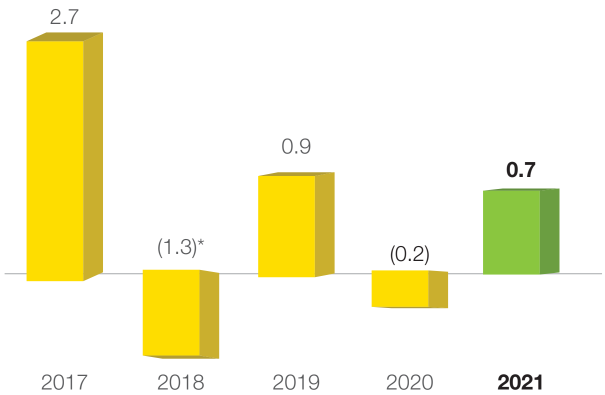
- Fabrication and Erection of Steel Structures; Fixed Equipment and Piping work
- Plant Shut-down / Turnaround Management
- Construction & Maintenance of Storage Tanks
- Exchanger Re-tubing
- Tube Shooting Services for Heat Exchangers (Conco Systems)
- On-site Flange Re-facing
- Ultra-high Pressure Abrasives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



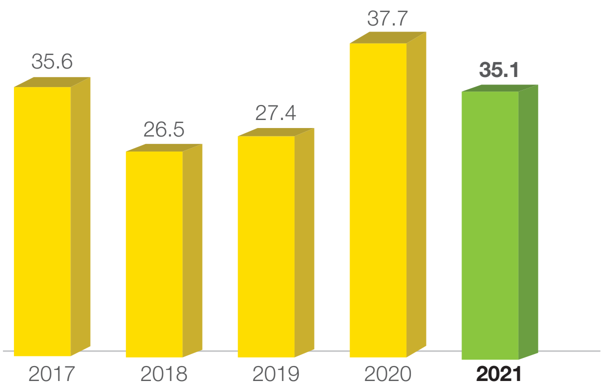
GROUP PROFIT / (LOSS) BEFORE TAX S$ (M)



* exclude impairments and one off losses/expenses

DIVIDEND RATE PER SHARE (CENTS)

GROUP CASH AND CASH EQUIVALENTS S$ (M)



FINANCIAL CALENDAR FOR 2022/2023

23 February 2022	Announcement of FY2021 Results
22 April 2022	AGM for FY2021
4 August 2022 (tentative)	Announcement of half yearly results 2022
23 February 2023 (tentative)	Announcement of FY2022 Results

EXECUTIVE CHAIRLADY AND DEPUTY CHAIRMAN MESSAGE

Dear shareholders, business partners and colleagues,

When we thought the world economy will recover gradually in 2022 from the COVID-19 pandemic, the world is now facing a new crisis – rising oil prices caused by geopolitical tensions (Russia's invasion of Ukraine). Rising oil prices have led to a broader jump in inflation, and interest rates is expected to rise in the near future. At the same time, world leaders have also signed a climate deal pledge to quicken the transition away from fossil fuels to renewal energy in an effort to achieve a net zero emissions target by 2050.

We have been enduring all the negative impacts throughout FY2021 but while weary, we have persevered through FY2021. Low demand for crude oil due to lockdowns and border closures in most countries had caused significant impact to the industry we are operating in and these circumstances have considerably impacted our business activities for the year. However, on a positive note, we have proven our agility and resilience in adapting quickly and remaining sufficiently nimble to handle altering conditions with a high degree of flexibility. From our past experiences, an increase in demand for crude oil (associated with rising crude oil prices) often correlates with an increase in our business partners' expenditure budget or investment commitments. Furthermore, in recent years, many of our key business partners have also committed to a net zero emission target in which they will be transforming their current plant operations towards renewable and sustainable sources. This will create project opportunities for us to undertake.

Longer Development Pipeline for Our Executive Committee

Our human resource strategy to develop young talent and develop them through the ranks with robust job rotation and succession planning is bearing fruit. Over the past two years, we have built up and retained a sustainable and young management team that can rise to challenges and respond to the needs of our business partners.

During the year, with the support of the Non-Executive Independent Directors, Quek Kian Hui assumed the role of Deputy Executive Chairman in the Board of Directors. This will allow him to lead, initiate and champion strategies for the Group. He also took on the role as Chairman of the Executive Committee. The Executive Committee is responsible for the day-to-day operations of the Group and also to execute strategies as determined by the Board of Directors. Two newly promoted senior managers, with proven potential, were invited to join the committee during the year.

We aim to build a diversified committee with balance in skills, age, gender, knowledge (operations, finance, and human resources), and experience. With the inclusion of younger managers in the Executive Committee, this will mitigate against groupthink and ensure that the Group has opportunity to benefit from all available talents. Our Chairlady, a member of the Executive Committee, continues to provide advisory support and guidance to the Committee. This will provide a longer development pipeline for the current Committee to execute long-term strategies of the Group and in turn increase shareholders' values.

Madam Cheng Woei Fen and Quek Kian Hui

"We have proven our agility and resilience in adapting quickly and remaining sufficiently nimble..."

Operations Review

In FY2021, our core attention and effort were focused on maintaining our agility while maximising cost efficiency. During the stretch of the COVID-19 impacted period, our people were able to adapt quickly to working remotely without significant decline in efficiency or productivity. Our investment in our Enterprise Resource Planning system as well as digital tools

EXECUTIVE CHAIRLADY AND DEPUTY CHAIRMAN MESSAGE

have proven to be useful in enabling us to working remotely. Our employees, with a positive mindset, embraced and accepted the adoption of digitalisation. Business intelligence tools are now used by our operations personnel to monitor the manhours of our workforce. With close to real time monitoring, our supervisors are able to ensure workers have sufficient rest in between jobs. This has been reflected in our accident frequency rate ("**AFR**"), which has seen a reduction in FY2021 to 0.06 which is an improvement (as well as improvement in work life balance for our workers) ever since we adopted these business intelligence tools.

Singapore will continue to be the base in which the Group anchors its overseas expansion on. We will continue to use the "**Mun Siong**" brand in project works and maintenance services to spearhead the Group's growth in the overseas markets. With the adoption of digitalisation, boundaries are eliminated, and substantial progress was made towards increasing our market awareness and market penetration into new sectors as well as new clients. Our overseas operations are tapping on Singapore Headquarter's accumulated track records and experiences which would not have been possible without the implementation of digitalisation within the Group's operations.

The pressure of margins and costs will continue to persist in all countries, especially in Singapore where competition remains intense. We remain committed to executing our maintenance and projects well and to stay diligent in managing our costs through prudent financial discipline. We will continue with our proven strategy of pursuing projects that yield positive margin.

Singapore Operations

Despite having a high number of COVID-19 cases in Singapore, we managed to achieve an improvement in FY2021 over our safety and health performance, for example our AFR decreased from 0.32 (FY2020) to 0.06 (FY2021). With our agility and resilience in adapting and adopting flexible working arrangements, all while maintaining a strict management of workers' grouping and safe distancing management, we were able to have more workers available to work in FY2021 as compared to FY2020.

Our Singapore Government announced that Jurong Island is in the midst of a transition towards renewable and sustainable products with a lower carbon footprint. Our major business partner whom we maintained long term maintenance contract with us at Bukom Island have also announced plans to shift to renewables and reduced carbon footprint. We trust that this will provide us with good opportunities to pursue business opportunities with the key business partners when transitional projects break ground.

For the past years, we have been reaching out to plant owners operating in renewables and pharmaceutical industries. During the year, we completed two turnaround projects for plant owners dealing with renewable energy. Although the project values were not significant, it is a step forward for the Group.

The inability to increase our direct employed workforce has continued to be a key hindrance to the Group in accepting more volume of work. To overcome the labour deficit, we had to engage more subcontractors. Comparing FY2021 against FY2020, the subcontractor costs had increased by 49.9% whereas our revenue increased by 21.8% in FY2021. The reliance on subcontractors is economically not viable due to its high costs (due to acute shortage in supply) and lower skills (reduction in productivity). Both these factors weigh against our profitability.

Our foreign employed workers, mostly from India and Bangladesh, returned to Singapore from their home leave when the Singapore border reopened in October 2021. It is a positive development towards addressing our shortfall in manpower needs. The recent Singapore Government Budget, foreign workers levies' costs over the next three years will increase as well as a reduction in dependency ratio ceiling (quota to bring in more foreign workers) in 2024 will cause a negative impact to us as well as to the industry as a whole.

The Executive Committee has formed a transformation task force, to work out a mitigation strategy to overcome the above impact. The transformation will cover three areas; namely (1) to redefine the current work processes. Using digitalisation, mechanisation and automation tools to reduce the number of workers required for each job, (2) to train our workers to multitask in their jobs. With a more diverse skill set, this will create value for us as well as for our business partners and (3) adopt best practices to reduce carbon emission as the Group is supportive of protecting the environment. To date, the results from the pilot programme are encouraging. We will gradually roll out the best practices to the remaining sites in Singapore as well as to our overseas operations.

Our Human Resource department will also continue to identify potential young talent through the ranks with robust job rotation and career advancement. We have also enhanced and improved our Human Resource procedures and policies so that we will have minimum disruptions to operations and to retain talents in the Group.

Land and building at 35 Tuas Road

We are currently negotiating with a seller for a suitable site in Jurong. The current lease will end in August 2023 and no further lease extension will be allowed by Jurong Town Corporation. Any further development we will announce it accordingly.

Taiwan Operations

Since our maiden entry into Taiwan in FY2019, we have executed three Turnaround projects for CPC, in which two were executed in FY2021. It is rewarding to us that CPC is pleased with our performance – from planning, execution, quality of work, good safety records, prompt payments to our vendors and completion of project on schedule. Leveraging on this, we will continue to pursue other opportunities with customers in other industries.

EXECUTIVE CHAIRLADY AND DEPUTY CHAIRMAN MESSAGE

As we have been operating for three years, we will take the opportunity to review our Taiwan operations. The review will look into our manpower planning, work scheduling, costs structure as well as adoption of mechanisation and automation tools on certain processes. We will also review the benefits of hiring and training our direct workforce with certain skill sets that sets us apart from the subcontractors. We believe the time and effort needed to train the direct workforce will benefit us in the long run.

Malaysia Operations

With the positive announcement from Petronas, the Pengerang plant will be increasing its production output in 2022. Currently, the plant is operating at low-capacity output because of COVID-19 induced low crude oil demand. We will intensify our effort to secure more work orders at their Pengerang Facilities. We will also review our current operations to streamline operations to handle the increase in work volume. Capital expenditure will also increase as we intend to bring in more mechanised tools and equipment in our line of work.

*Outstanding amount due from Highbase Strategic Sdn Bhd ("**Highbase**") and contract assets. Total impairment losses $1,353,000.*

Among the key conditions for the contract award by Petronas is the incorporation of a joint venture legal entity between the Company and Highbase. This legal entity would enter into the contract with Petronas and will execute work orders received. Prior to the incorporation of this legal entity, Highbase as the local partner would receive work orders and payments for work orders from Petronas.

HIMS Integrated Services Sdn Bhd ("**HIMS**") is the legal entity formed between Highbase and the Company. The former owns 51.0% and the latter owns 49.0%. A HIMS shareholders' agreement was entered into between the Company and Highbase on 21 August 2019 and, among other matters, spelt out management control and allocation of jobs among worksites.

Highbase has been receiving work orders and payments from Petronas on behalf of HIMS since the incorporation of HIMS in 2019, despite the Company and HIMS on numerous occasions, reaching out to Petronas to issue the work orders and payments directly to HIMS and to novate the contract award and relevant contracts to HIMS.

These work orders by Petronas were subcontracted by Highbase to HIMS. HIMS had then subcontracted the work to Pegasus Advance Engineering Sdn Bhd ("**PAE (M)**") for work execution. PAE (M) is a Malaysia legal entity in which the Company has a 49.0% equity interest. Under this billing on behalf arrangement, the ultimate debtor is Highbase and HIMS is the intermediate debtor.

Since 1 October 2021, the amount due and owing by HIMS is $571,000 which arose from works executed by PAE (M). We had impaired this full amount in FY2021. Petronas had accepted the works completed by PAE (M) and payments for such works had been received by Highbase. However, Highbase has failed to pay HIMS, which in turn has caused HIMS not able to pay PAE (M). PAE (M) is seeking recoverability from HIMS (intermediate debtor) and HIMS is also seeking recoverability of a similar amount from Highbase (ultimate debtor). Prior to 1 October 2021, Highbase had made all payments received from Petronas to HIMS which then enabled HIMS to make payments to PAE (M) pursuant to the subcontract arrangement.

As of 31 December 2021, the amount of impairment loss on contract assets in relation to the work orders is $782,000. These contract assets relate to jobs in progress or completed jobs awaiting Petronas to accept performance of work. PAE (M) stopped issuing invoices to HIMS (intermediate debtor) and Highbase (ultimate debtor) in Q42021. This is to avert Petronas from making further payments to Highbase, which will increase our risk exposure. Notwithstanding this risk mitigation, the Group has impaired the contract assets of $782,000 as a result of the increase in credit risk arising from the default of payment from HIMS (intermediate debtor).

HIMS has on 27 January 2022 executed a contract with Petronas with respect to the contract award. Pursuant to the said contract, HIMS is required to fulfil certain conditions that have yet to be met. Subsequent to the fulfilment of these conditions, PAE (M), through HIMS, would seek payments from Petronas for the contract assets amounting to $782,000. Payments would then be made to HIMS where the Company has been afforded joint management control (e.g. bank account) under the HIMS shareholders' agreement.

HIMS (the intermediate debtor) was served a letter of demand by PAE (M) on 6 December 2021 and 27 December 2021. HIMS had on 5 January 2022, in turn served a letter of demand on Highbase (the ultimate debtor), to seek payment for the amount outstanding of $571,000. We will continue to pursue legal means to recover this amount.

Construction of Fabrication Yard

During the year, the Company had announced via SGXNet on 5 March 2021 that we purchased a 60-year leasehold land and building in the Mukim of Tanjung Surat, District of Kota Tinggi, State of Johor. The fabrication yard is currently under construction and is estimated to be completed by end of 2023. This fabrication yard will support our work at the Pengerang Facilities as well as other potential business partners whom we are also courting. With a fully equipped fabrication yard, our Malaysia Operations will be able to expand its array of services.

US Operations

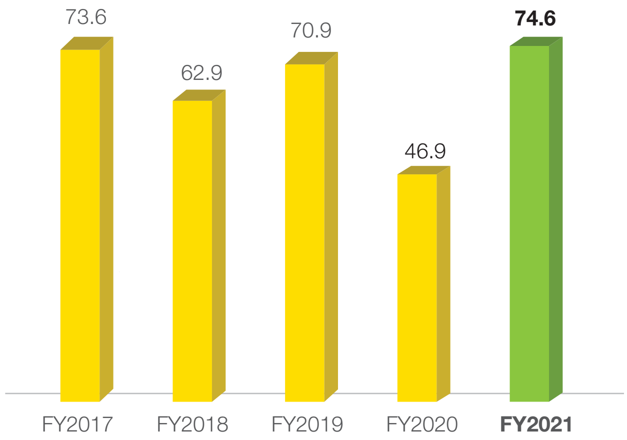
Since our last aborted joint venture in North America in FY2019, we have been on a look out for potential business partners. We are very selective in our evaluations and extensive due diligence carried out before we approach any potential business partner. We are currently doing a feasibility study to offer specialised services (hydro jetting and retubing services in which the Group has a competitive advantage in) in North America.

EXECUTIVE CHAIRLADY AND DEPUTY CHAIRMAN MESSAGE

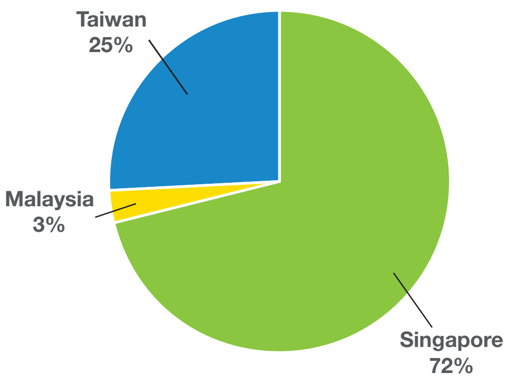
Financial Performance and Position

The Group achieved a revenue of $74.6 million in FY2021, an improvement of $27.7 million or 59.1% over FY2020. Gross profit and gross profit margin in FY2021 were $5.6 million and 7.5% respectively. In FY2020, excluding the government financial support (which tapered off towards the end of 2020), the Group incurred an adjusted gross loss of $3.7 million and a negative margin of 7.8%. Comparing this adjusted gross loss to the current year gross profit, the Group had performed well in FY2021. The higher gross profit in FY2021 was due to higher revenue.

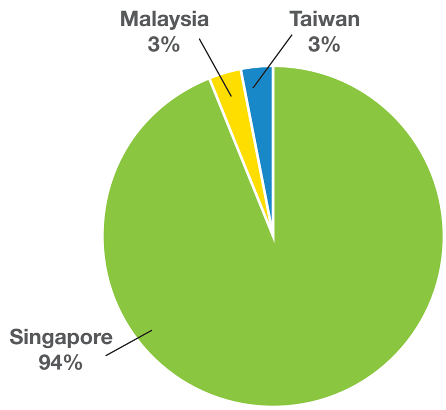
GROUP REVENUE S$ (M)



GROUP REVENUE – COUNTRIES FY2021

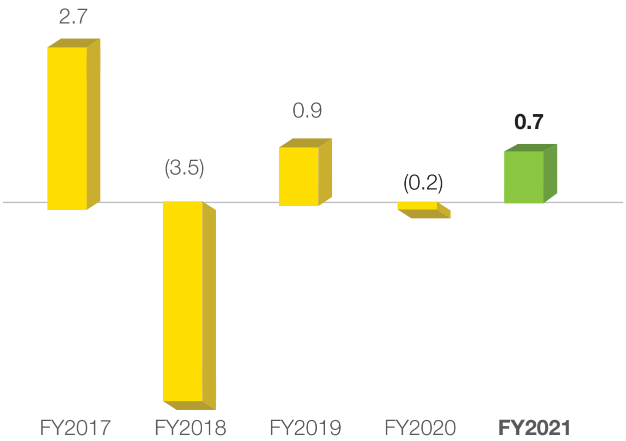


GROUP REVENUE – COUNTRIES FY2020



We have ended the financial year (FY2021) registering a profit before tax of $0.7 million or profit before tax margin of 0.9% as compared to a loss before tax of $0.2 million in the previous financial year. In the absence of impairment losses, share of losses arising from HIMS and one-off recovery of decanting costs, the adjusted profit before tax in FY2021 would have been $1.2 million or 1.6% adjusted profit before tax margin.

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



EXECUTIVE CHAIRLADY AND DEPUTY CHAIRMAN MESSAGE

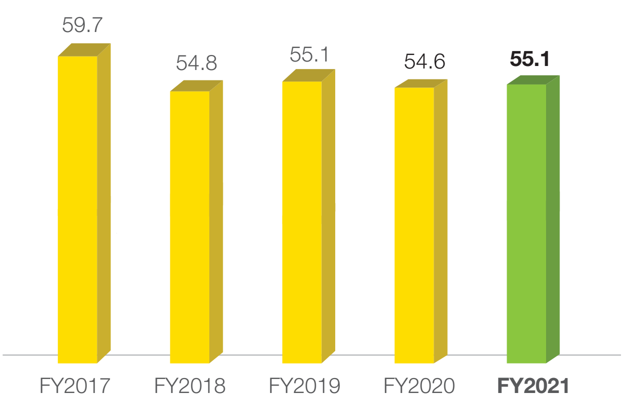
Dividends

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

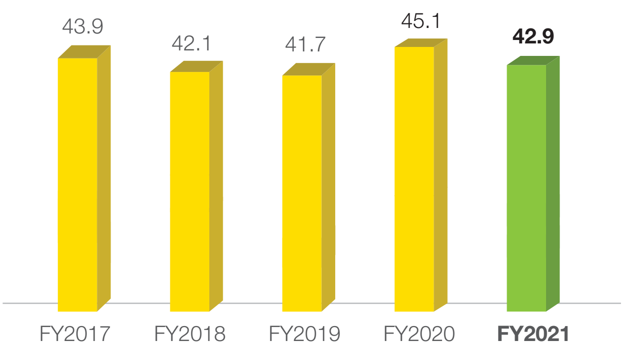
The Board of Directors has proposed a first and final tax exempt (one-tier) dividend of 0.04 cents per share and a special tax exempt (one-tier) dividend of 0.02 cents per share. Both these dividends are subject to shareholders' approval at the coming annual general meeting. Total proposed dividends will be $348,000 and represents 52.3% of profit after tax for FY2021.

Shareholders' funds and net working capital as at 31 December 2021 stood at $55.1 million and $42.9 million respectively. Our gross debt remains at 10.0% as at 31 December 2021 (FY2020: 11.8%). The balance sheet remained healthy, with a cash balance of $35.1 million as at 31 December 2021. This a result of our prudent working capital management.

SHAREHOLDERS' FUND S$ (M)



NET WORKING CAPITAL S$ (M)



The Group has limited cash resources and need to prioritise its commitments and apply our limited resources prudently. We have set aside funds for the construction of fabrication yard in Malaysia, finding a new premise in Singapore and repayment of existing loan. We will continue to maintain a strong net working capital position as it allows 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 is reaching out to the renewables industries in the near future whose sustainability is one of the key evaluation considerations. Our Sustainability Report FY2021 will be available on 14 April 2022. Please refer to our website at www.mun-siong.com or the SGXNet at https://www.sgx.com/securities/company-announcements.

Appreciation

The success of our business is clearly based on the commitment, experience and expertise of our employees. They deserve our deepest gratitude and thanks. Under the current difficult conditions, they have done an outstanding job for our business partners and for the Group. Their commitment and resilience are key factors that allow us to look to the future with confidence.

We would like to thank our Board of Directors for their valuable contributions and guidance throughout the year. We would like to thank the Executive Committee for their dedication, hard work and commitment. Finally, we are extremely grateful to you our shareholders and business partners, for standing steadfast with us amidst the challenging and uncertain times and look forward to journeying with you in 2022.

Cheng Woei Fen
Executive Chairlady

Quek Kian Hui
Executive Deputy Chairman

BOARD OF DIRECTORS' PROFILE

From Left to Right: Mah Kai Leong, David Tan Chao Hsiung, Cheng Woei Fen, Quek Kian Hui, Lau Teik Soon

CHENG WOEI FEN
Executive Chairlady ("Chairlady")

Madam Cheng was first appointed to the Board on 31 October 1981 and ceased to be a director on 1 October 2006. Subsequently, Madam Cheng was reappointed to the Board on 20 April 2007 and last re-elected as a director on 23 April 2021. 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. In FY2021, she stepped down as Chairlady of the Executive Committee and takes on the role as an adviser to the Executive Committee. The Executive Committee is currently chaired by the Executive Deputy Chairman.

Madam 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 ("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. He is currently the 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 Group towards a process and data-driven system, suitable for the ever-evolving needs of the Group's business partners.

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

BOARD OF DIRECTORS' PROFILE

DAVID TAN CHAO HSIUNG
Non-Executive Lead Independent Director

Mr Tan was first appointed a director on 1 October 2012 and last re-elected on 23 April 2021. 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 in 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 Certified Practising Accountant ("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 2021. He is the Chairman of the Nominating Committee and a member of both the Audit Committee and the Remuneration Committee. Dr Lau is a retired lawyer. He was involved in various areas of practice, including criminal and civil litigation, family law and arbitration.

Dr Lau 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 Committee 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.

EXECUTIVE COMMITTEE

QUEK KIAN HUI
Chairman of Executive Committee
(Executive Deputy Chairman)

CHENG WOEI FEN
Adviser to Executive Committee
(Executive Chairlady)

LIM POON KHENG, EUGENE
Group Finance Director

TEO KHENG HOCK, ANDY
Director for
Specialised Services

LIN YAN
Director for
Electrical and Instrumentation Services

PARKINSON JOHN LINDSAY
Director for
Engineering and Technical Services

NARAYANAN PARTHASARATHY
Director for
Turnaround and Mechanical Services

ZAM SUAN KIM
Director for
Corporate Services

SHAN YIJIAN
Senior Manager for
Project Works

PHILIP THOMAS BAIJU
Senior Manager for
Tankage and Mechanical Services

CORPORATE GOVERNANCE REPORT

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 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 issued on 1 July 2021.

This report describes the Group's corporate governance practices and structures that were in place during the financial year ended 31 December 2021 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 aim, 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 (including value creation and innovations) 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 REPORT

The Executive Committee ("**EXCO**" or "**Management**") which comprises of senior management executives are responsible for the day-to-day operations and administration of the Company in accordance with the policies and objectives set by the Board. The Executive Committee is currently chaired by the Executive Deputy Chairman. Management remains accountable to the Board and provides the Board with complete, adequate and timely information prior to meetings and on an on-going basis to enable them to make informed decisions and discharge their duties and responsibilities.

The Board and the Management fully appreciate that an effective and robust board whose members engage in open and constructive debate and challenge the Management on its assumptions and proposals is fundamental to good corporate governance. The Directors of the Board have the appropriate core competencies and diversity of experience to enable them to contribute effectively. They are able to objectively raise issues and seek clarification, as and when necessary, from the Board and Management on matters pertaining to their area of responsibilities and actively help the Management in the development of strategic proposals and oversees the effective implementation by Management to achieve the objectives set. All Directors are expected to exercise due diligence and independent judgement in dealing with the business affairs of the Group and are obliged to act in good faith and to take objective decisions in the interest of the Group.

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 1967.

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 FY2021, no Director had to abstain from voting in relation to the conflict-related matters.

CORPORATE GOVERNANCE REPORT

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. The Company has not appointed any new Director in FY2021.

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. Although the Company did not arrange formal seminars, conferences and training programmes for the Directors in FY2021, the Company's Secretary(ies) and the External Auditors updated and briefed the Directors on the changes and new developments from the regulatory authorities during the Board and Board Committees' meetings. 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 also 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 and investments;
- Corporate/financial structuring or corporate exercise;
- Incorporation of new entities;
- Approval of projects that exceeds a certain percentage of the Group shareholders' funds;
- Issuance of shares (including preference 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), quarterly business updates and the release of the Annual Report; and

CORPORATE GOVERNANCE REPORT

- Any other matters as prescribed under the relevant legislations and regulations, as well as the provision of the Company's Constitution.

Delegation by the Board and Board Meetings and Attendance

The Board has delegated specific responsibilities to three committees, namely the Audit Committee ("**AC**"), Nominating Committee ("**NC**") and Remuneration Committee ("**RC**") (collectively, 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 corporate governance and legal environment. The current terms of reference for the respective Board Committees, which were revised in FY2019, are aligned with the 2018 Code. Any change to the terms of 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		
		No. of meetings			No. of meetings			No. of meetings			No. of meetings	
	Position	Held	Attended	Position	Held	Attended	Position	Held	Attended	Position	Held	Attended
Executive Directors												
Cheng Woei Fen	C	5	5	NA	4	4 #	NA	1	1 #	NA	1	1 #
Quek Kian Hui	M	5	5	NA	4	4 #	NA	1	1 #	NA	1	1 #
Non-Executive Directors												
David Tan Chao Hsiung	M	5	5	C	4	4	M	1	1	M	1	1
Lau Teik Soon	M	5	5	M	4	4	C	1	1	M	1	1
Mah Kai Leong	M	5	5	M	4	4	M	1	1	C	1	1

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

CORPORATE GOVERNANCE REPORT

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 decisions 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 Executive Committee, including the Chairlady, the Deputy Chairman, the Finance Director, Company Secretary (ies) and other officers in the Executive Committee, 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. During the financial year, the Board sought professional advice from Chen & Lin Attorneys-at-law, a Taiwan legal firm, on the investigation by the Ministry of Justice Investigation Bureau on an ex-employee hired by our Taiwan Branch office. The ex-employee, a non-management staff resigned from the branch office on his own accord in April 2020. The Board of Directors also sought professional advice from Mohamed Ridza & Co, a Malaysia legal firm, on the recoverability of trade receivables from Highbase Strategic Sdn Bhd (ultimate debtor) and HIMS Integrated Services Sdn Bhd (intermediate debtor). For more details, please refer to page 7 on the outstanding amount due from Highbase and contract assets.

All Directors have separate and independent access to the advice of the Company Secretary(ies). The Company Secretary(ies) and/or 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) and/or their representative will also attend all meetings of the Board Committees.

The Company Secretary(ies) and/or their representative assists the Chairlady and the Chairman of each Board Committees in the development of the agendas for the various Board and Board Committees meetings. They ensure good information flows within the Board and Board Committees, and between Management and Non-Executive Independent Directors, advising the Board on all corporate governance matters, as well as facilitating orientation and assisting with professional development as required. Minutes of all meetings are prepared by the Company Secretary(ies) and will be circulated respectively to the Board and Board Committees for their review and approval.

CORPORATE GOVERNANCE REPORT

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.

Multiple Board Representations

All Directors are required to declare their board representations on an annual basis and as soon as practicable after the relevant facts have come to his or her knowledge. 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, not withstanding, 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.

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

Currently, the Board comprises of five members, three of whom are Non-Executive Directors. With more than half of the Board is made up of independent directors, including independence from substantial shareholders (5% of more shareholders*) of the Company, the Board is capable of exercising independent and objective judgement on corporate affairs of the Group. It also ensures key issues and strategies are critically reviewed, constructively challenged, fully discussed and thoroughly examined, taking into consideration the long-term interests of the Group and its stakeholders. No individual or small group of individuals dominates the Board's decision making. This is in line with the definition of "independent director" as specified under Provision 2.1 of the 2018 Code and Rule 210(5)(d) of the Listing Manual of SGX-ST.

Each Independent Director is required to complete an 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 $50,000 from the Company or Group or $200,000 from a 5% or more shareholder* during the year. For FY2021, the Nominating Committee has assessed and satisfied that all the three Non-Executive Directors are independent.

* *the term "5% or more shareholder" shall refer to a person who has an interest or interests in one or more voting shares in the Company and the total votes attached to that share, or those shares, is not less than 5% of the total votes attached to all the voting shares in the Company. "Voting shares" exclude treasury shares.*

SGX Mainboard Rule 210(5)(d)(iii)

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 objectively, 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.

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At the end of FY2021, Mr David Tan Chao Hsiung has served on the Board for more than 9 years from the date of his appointment. Dr Lau Teik Soon will also serve on the Board for more than 9 years from the date of his appointment in March 2022. In view of this, the Board has subjected their independence to a rigorous review by all Directors, with Mr David Tan Chao Hsiung and Dr Lau Teik Soon abstaining from their own review, before deciding if they should continue with the appointment.

After due consideration and with the concurrence of the Nominating Committee, the Board is of the view that Mr David Tan Chao Hsiung and Dr Lau Teik Soon have individually demonstrated strong independence character and judgment over the years in discharging their duties and responsibilities as Independent Directors of the Company with the utmost commitment in upholding the interests of the non-controlling shareholders. They have expressed individual viewpoints, debated issues and objectively scrutinised and challenged Management. They have individually sought clarification and amplification as they deemed necessary, including direct access to Management.

Taking into account the above and also weighed the need for Board's renewal, the Nominating Committee and the Board have affirmed their independence status and recommended that Mr David Tan Chao Hsiung and Dr Lau Teik Soon continue to be considered as Independent Director, notwithstanding they have served/will serve on the Board beyond nine years from the date of their first appointment. Nonetheless, in line with the requirement of Rule 210(5)(d)(iii) of the SGX Listing Rules which takes into 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, must undergo the mandatory two-tier voting process at the Annual General Meeting ("**AGM**"). Mr David Tan Chao Hsiung and Dr Lau Teik Soon subjected themselves to the mandatory two-tier voting processes at the last AGM on the 23 April 2021. At that AGM, the shareholders voted for and approved their continued appointment as Independent Directors of the Company. In this respect, both of them will remain as Independent Directors until the earlier of (a) their retirement or resignation or (b) the conclusion of the third AGM from the AGM held on 23 April 2021, pursuant to Rule 210(5)(d)(iii) of the SGX Listing Rules with effect from 1 January 2022.

Proportion of Non-Executive Independent Directors

There is a strong independence 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 FY2021. 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. In addition, the Board Committees are also chaired by the Non-Executive Independent Directors and comprise wholly of the Non-Executive Independent Directors. As the majority of the Board members are Non-Executive Independent Directors, the Company has complied with the relevant provisions (2.2 and 2.3) as specified in the 2018 Code.

The Company as at 18 March 2022, has 1,368 shareholders – for details on the spread of shareholdings please refer to page 111 of this report. The two largest shareholders, representing 62.93% 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.

Board Composition

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.

CORPORATE GOVERNANCE REPORT

The Board reviews the size and composition of the Board, including the Board committees, on an annual basis to ensure that both aspects continue to meet the needs of the Group. The Board is of the view that the present Board size and composition is appropriate for the current scope and nature of the Group's operations. It provides board diversity and allow for informed and constructive discussion and effective decision making at the Board meetings. 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 partners), 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 performances. The Board will, however, continue to review opportunities to refresh the Board with a view to expanding the skills, experience and diversity of the Board as a whole.

Board Diversity

The Company's Board Diversity Policy endorses the principle that its Board should have a balance of skills, knowledge, experience and diversity of perspectives appropriate to its business so as to mitigate groupthink and foster constructive debate.

In reviewing Board Composition and succession planning, the Nominating Committee will consider the benefits of all aspects of diversity, including diversity of background, experience, gender, age and other relevant factors. These differences will be considered in determining the optimum composition of the Board and when possible, should be balanced appropriately.

On annual basis, the Nominating Committee conducts its review of the composition of the Board, which comprises members of both genders and from different backgrounds whose core competencies, qualifications, skills and experiences, met with the requirement of the Group. All Directors will submit to the Nominating Committee on an annual basis a completed Board Evaluation Questionnaire (including a section on board diversity). The Nominating Committee have reviewed the completed Questionnaire for FY2021, is satisfied that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary group core competencies to lead and govern the Group effectively.

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

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.

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")

The roles of the Chairman (in our Company, Chairlady) and CEO are separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

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The 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.

All major proposals and decisions made by the two Executive Directors are discussed and reviewed by the Audit Committee. Their performance and appointment are reviewed periodically by the Nominating Committee and the remuneration packages are reviewed periodically by the Remuneration Committee. As the Board Committees consist of all Independent Directors, the Board believes that there are sufficient strong and independent elements and adequate safeguards in place against a possible concentration of power and authority in any single individual or a familial relationship exists between the Executive Chairlady and the CEO.

Role of Chairlady

The Group's Executive Chairlady, Madam Cheng Woei Fen, plays an instrumental role in developing the business strategy of the Group and provides the Group with strong leadership and vision. She leads the Board in its review of the Group's strategies for overseas expansion for growth, ensures the diversity of the Board and provides the Group's post pandemic recovery and transformation. In addition to setting and implementing the business direction and strategies for the Group as endorsed by the Board, as well as the management oversight of the Group's performance, she is to ensure that each member of the Board and Management works well together with integrity and competency.

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. She also sets guidelines and exercise over the quality, quantity, accurateness and timeliness of information flow between the Board and the Management at the various meetings. She also takes a leading role in ensuring the Group's drive to achieve and maintain a high standard of corporate governance practices with the full support of the Board, the Company Secretary(ies) and the Management.

Appointment of Lead Independent Director

In our Company, as the roles of the Chairlady and CEO are shared by two individuals who share close family ties, the Nominating Committee has determined that the Chairlady is not independent. The Board has appointed Mr David Tan Chao Hsiung, a Non-Executive Independent Director, as the Lead Independent Director. He will coordinate and lead the Independent Directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. 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 received or request on any matters which requires the Lead Independent Director's attention in FY2021.

CORPORATE GOVERNANCE REPORT

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

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 and Listing Manual of the SGX-ST. 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 Director's integrity, independence, mindedness, 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 as set out under Provision 2.1 of the 2018 Code, Rule 210(5)(d) of the Listing Manual, and any other salient factors. Following its annual review, the Nominating Committee has endorsed the independent status of the Non-Executive Independent Directors.

CORPORATE GOVERNANCE REPORT

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.

Continuous Review of Directors' Independence

The Board recognises the contribution of its Independent Directors who have over time developed deep insight into the Group's businesses and operations and who are therefore able to provide invaluable contributions to the Group. As such, the Board has not set a fixed term of office for each of its Independent Directors so as to retain the services of the Directors, as necessary.

The independence of each Director is assessed and reviewed annually by the Nominating Committee, which will consider whether a Director has business relationships with the Group, its substantial shareholders (5% of more shareholders) and if so, whether such relationships could interfere or be reasonably be perceived to interfere, with the exercise of the Director's independent business judgement in the interest of the Group. No individual or small group of individuals dominates the Board's decision making. The assessment is in compliance with Provision 2.1 of the 2018 Code and Rule 210(5)(d) of the Listing Manual of SGX-ST.

The Board after taking into consideration the views of the Nominating Committee, is of the view that Mr David Tan Chao Hsiung, Dr Lau Teik Soon and Mr Mah Kai Leong are considered independent and that, no individual or small group of individual dominates the Board's decision-making process.

Directors' Time Commitments

The Nominating Committee ensures new Directors are aware of their duties and obligations. For re-nomination and re-appointment of Directors, the Nominating Committee takes into consideration the competing time and commitments faced by directors and their ability to devote appropriate time and attention to the Company and Group.

Each Director is required to confirm annually to the Nominating Committee as to whether he or she has any issue with competing time commitments which may impact his or her ability to provide sufficient time and attention to his or her duties as a Director of the Company. Based on the Directors' annual confirmation and the Directors' commitments and contributions to the Company, which are evident in their level of attendance and participation at the Board and Board Committees' meetings, the Nominating Committee and the Board are satisfied that all the Directors were able to and have been adequately carrying out their duties as Directors of the Company in FY2021.

Please refer to the section entitled "Board of Directors' Profile" of the Annual Report for the listed company directorship and principal commitments of each Director.

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.

Re-Election of Directors at the Forthcoming AGM

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, Mr Quek Kian Hui and Mr Mah Kai Leong are the Directors retiring via rotation at the forthcoming AGM. The Nominating Committee, having considered Mr Quek Kian Hui and Mr Mah Kai Leong, individual performance and contribution, has recommended the retiring Directors for re-election at the forthcoming AGM.

CORPORATE GOVERNANCE REPORT

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

(1) Mr Quek Kian Hui will remain as the Executive Deputy Chairman; and

(2) Mr Mah Kai Leong will remain as Non-Executive Independent Director, Chairman of the Remuneration Committee and members of the Audit Committee and Nominating Committee.

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

Name of Director	**Mr Quek Kian Hui**
Age	37
Country of principal residence	Singapore
The Board's comments on this re-election (including rationale, selection criteria, and the search and nomination process):	The Board has accepted and approved the Nominating Committee's recommendation, who has reviewed and considered Mr Quek Kian Hui's contributions and performance as an Executive Deputy Chairman of the Company.
Whether appointment is executive, and if so, the area of responsibility:	The appointment is Executive. Responsible for operational as well as the performances of the Group's key businesses, building new business relationships and develop Group's business strategies.
Shareholding interest in the listed issuer and its subsidiaries	The Company 86,376,800 shares Subsidiaries of the Group 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	Son of Executive Chairlady, Cheng Woei Fen
Conflict of interest (including any competing business)	None
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes
Principal Commitments including Directorships	Past (for the last 5 years) Nil Present Nil Other Principal Commitments Nil

CORPORATE GOVERNANCE REPORT

Name of Director	Mr Mah Kai Leong
Age	70
Country of principal residence	Singapore
The Board's comments on this re-election (including rationale, selection criteria, and the search and nomination process):	The Board has accepted and approved the Nominating Committee's recommendation, who has reviewed and considered Mr Mah Kai Leong's contributions and performance as a Non-Executive and Independent Director of the Company.
Whether appointment is executive, and if so, the area of responsibility:	Non-Executive.
Shareholding interest in the listed issuer and its subsidiaries	The Company Nil Subsidiaries of the Group Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None
Conflict of interest (including any competing business)	None
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes
Principal Commitments including Directorships	Past (for the last 5 years) Nil Present Nil Other Principal Commitments Nil

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 it is effectiveness as a whole, and that of each of its Board Committees and individual Directors.

The Board has 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 Board, through the Nominating Committee, used its best effort to ensure that Directors appointed to the Board and the Board Committees, whether individually or collectively, possess the background, experience, knowledge in the business, competencies in finance and management skills critical to the Group's business. It has also ensured that each Director, with its special contributions, brings to the Board an independent and objective perspective to enable sound, balanced and well-considered decisions to be made.

The Nominating Committee has established a formal review process to assess the performance and effectiveness of the Board as a whole and of its Board Committees, as well as the contribution by the Chairlady of the Board and each individual Directors to the effectiveness of the Board.

CORPORATE GOVERNANCE REPORT

The Nominating Committee assesses the performance of the Board and its Board Committees, annually using objective and appropriate criteria which were approved by the Board. On an annual basis, all Directors will complete a Board evaluation questionnaire. The questionnaire is designed to seek their view on the various aspects of the Board and its Board Committees performance and competencies so as to assess the overall effectiveness of the Board and its Board Committees. To ensure confidentiality, the completed questionnaires were submitted to the Company Secretary for collation. The consolidated responses were presented to the Nominating Committee for review before submitting to the Board for discussion and determining areas for improvement and enhancement of the effectiveness of the Board and its Board Committees.

Following the review in FY2021, the Board is of the view that the Board and its Board Committees operate effectively, and that each Director is contributing to the overall effectiveness of the Board and its Board Committees.

The Nominating Committee has not engaged any external facilitator in FY2021 to assist in the assessment of the performance of the Board and Board Committees.

Board Evaluation Criteria

The performance criteria for the Board evaluation are in respect of the board size and composition, board independence, board processes, board information and accountability, board performance in relation to discharging its principal functions and board committee performance in relation to discharging their responsibilities as set out in their respective terms of reference.

The primary objective of the Board evaluation exercise is to create a platform for the Board and its Board Committees' members to provide constructive feedback on the board procedures and processes and the changes which should be made to enhance the effectiveness of the Board and its Board Committees.

Chairlady Evaluation

The evaluation of the Chairlady of the Board is undertaken by the Nominating Committee and the results are reviewed by the Board.

The assessment of the Chairlady of the Board is based on her ability to lead, whether she established proper procedures to ensure the effective functioning of the Board and that the time devoted to Board meetings were appropriate and are conducted in a manner that facilitate open communication and meaningful participation for effective discussion and decision making by the Board. She has also ensured that the Board Committees formed were appropriate, with clear terms of reference, to assist the Board in the discharge of its duties and responsibilities.

Individual Director Evaluation

Individual Director's performance is evaluated annually and informally on a continual basis by the Nominating Committee and the Chairlady of the Board. 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. Other factors taken into consideration by the Nominating Committee and the Chairlady of the Board include the value of contribution to the development of strategy, availability at Board meetings (as well as informal contribution via email and telephone), interactive skills, industry and business knowledge and experience each Director possesses which are crucial to the Group's business.

The individual Director evaluation exercise assists the Nominating Committee in determining whether to re-nominate Directors who are due for retirements at the forthcoming AGM and in determining whether Directors with multiple board representations are able to and have adequately discharged their duties as Directors of the Company.

CORPORATE GOVERNANCE REPORT

Nonetheless, replacement of a Director, when it happens, does not necessarily reflect the Director's performance or contributions to the Board, but may be driven by the need to align the Board with the medium-term or long-term needs of the Group.

When deliberating on the performance of a particular Director who is also a member of the Nominating Committee, that member abstains from the discussions to avoid any conflicts of interests.

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)
David Tan Chao Hsiung
Lau Teik Soon

The Chairman of the Remuneration Committee and all its members are considered independent pursuant to the definition of independent under the 2018 Code and Listing Manual of the SGX-ST. 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 ("key management personnel").

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 FY2021, the Remuneration Committee has not sought external advice nor appointed remuneration consultants in considering the remuneration of Directors.

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. Details of the plan are set out in the Directors' Statement on pages 45 to 47.

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.

CORPORATE GOVERNANCE REPORT

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. In structuring the compensation framework, the Remuneration Committee takes into consideration the risk policies of the Group, the need for the compensation to be symmetric with the risk outcomes and the time horizon of risks.

The Remuneration Committee reviews on an annual basis the remuneration of the Executive Directors and key management personnel to ensure that their remuneration packages are commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. Executive Directors do not receive Directors' fees but are remunerated as members of Management.

During the financial year, the Remuneration Committee also reviewed 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.

Provisions allowing the Company to reclaim incentive components of remuneration from the Executive Directors and key 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 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.

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.

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There was no salary increment for Chairlady in FY2021. There was salary increment in FY2021 for the Deputy Executive Chairman in view of his promotion as well as increase in areas of responsibilities.

(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.

Bonus, based on the audited results, will only be paid to Executive Directors and key management personnel in the following year. There was no bonus paid to the Executive Directors and key management personnel in 2021 as the Company was in a loss position (audited) in FY2020. FY2021 bonus will be paid to the Executive Directors and key management personnel in 2022 based on the audited FY2021 results.

(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.

The MSE Performance Share Plan was approved by the shareholders at the AGM held on 20 April 2017 and adopted by the Company. The duration of the plan, commencing on the date of adoption, is for a maximum period of 10 years. Pursuant to this plan, during 2021, the Company awarded 2,400,000 shares to an employee. These shares will be vested in 3 equal tranches after each financial year commencing from 31 December 2021. Details of the plan are set out in the Directors' Statement on pages 45 to 47.

Remuneration of Non-Executive Directors

Directors' fees are subject to approval by 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 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.

In FY2017, 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 up to FY2021. The Board concurred with the Remuneration Committee that the proposed fees for the year ending 31 December 2022 (FY2022) to be increased by 2.7% from $113,000 (FY2021) to $116,000 for FY2022. The increase in fees is moderate and will reinstate part of the voluntary reduction they have undertaken previously. The Directors' fees of up to $116,000 for FY2022 ($113,000 for FY2021), are recommended by the Board to be tabled for approval by the shareholders at the forthcoming AGM.

CORPORATE GOVERNANCE REPORT

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.

A substantial portion of the Group's key customers (or business partners) are from the process industry that operates processing plants and facilities. Our customers' capital expenditures and operating budgets are closely correlated to global crude oil prices, which is determined by supply and demand. Crude oil prices, in recent times, are on an uptrend as global oil supplies are curtailed by trade sanctions imposed on Russia – one of the major global crude oil exporting countries. Besides this, many of our major customers (or business partners) have committed to a net zero emission target in the not too distant future. Significant capital expenditures and investments would have to be made to transform their plants and facilities to meet these targets. These factors provide business opportunities for the Group.

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 with 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 Board exercises its discretion and independent judgement in ensuring that the amount and mix of compensation are aligned with the interests of shareholders and promote the long-term success of the Group. The overall level of remuneration is not considered to be at a level which is likely to promote behaviour contrary to the Group's risk profile.

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 Remuneration $'000	Based/Fixed Salary %	Director's Fees %	Variable or Performance-related Income/Bonuses %	Benefits in kind %	Total %
Directors						
Cheng Woei Fen	242	97.3	–	–	2.7	100.0
Quek Kian Hui	188	93.5	–	–	6.5	100.0
David Tan Chao Hsiung	41	–	100.0	–	–	100.0
Lau Teik Soon	36	–	100.0	–	–	100.0
Mah Kai Leong	36	–	100.0	–	–	100.0

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	Breakdown in percentage				
	Based/Fixed Salary %	Variable or Performance-related Income/ Bonuses %	Benefits in kind %	MSE PSP %	Total %
Top 5 Key Management Personnel					
Below $250,000					
Lin Yan	95.2	–	4.8	–	100.0
Lim Poon Kheng, Eugene	81.7	–	0.5	17.8	100.0
Teo Kheng Hock	94.1	–	5.9	–	100.0
Narayanan Parthasarathy	99.3	–	0.7	–	100.0
John L. Parkinson	92.8	–	7.2	–	100.0

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

In line with the Group's financial performance for FY2021, 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 $868,000.

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 Board is responsible for the governance of risk and oversees the Company's risk management framework and policies and ensures that Management maintains a sound system of risk management and internal controls. The Board has delegated responsibility of risk governance to the Audit Committee.

Risk assessment and evaluation has become an essential part of the business planning and monitoring process. The Group has put in place a documentation on its risk profile which summaries the material risks faced by the Group and the countermeasures in place to manage or mitigate those risks. The Enterprise Risk Management ("**ERM**") manual or documentation 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 FY2021.

The documentation provides an overview of the Group's key risks, the appropriate risk tolerance limits set for the respective risks, their likelihood of occurrence and the consequential impact to the Group as a whole. Having identified the risks that affect the achievement of the Group's business objectives and/or financial performance, each business unit or department is required to document the mitigating and/or proposed actions in place in respect of each significant risk. It 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.

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Having regard to the risks which the business is exposed, the likelihood of such risks occurring and the risk tolerance accepted by the Group, the internal controls structure of the Group has been designed and put in place by the Group's business units and/or departments to provide reasonable assurance against material financial misstatements or loss, for the safeguarding of assets, for the maintenance of proper accounting records, for the provision of financial and other information with integrity, reliability and relevance, and in compliance with applicable laws and regulations.

The Board acknowledges that it is responsible for the governance of the risks and the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risks of failure to achieve business objectives and can provide only reasonable and not absolute assurance against the occurrence of material errors or poor judgement in decision making.

The significant 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. In FY2021, the Board approved the CPC Kaohsiung turnaround project as it exceeded more than 10% of the Group's shareholders' funds.

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.

In the last three financial years (2018 to 2020), the Group reported only a provision for foreseeable loss (or onerous contracts) of $42,000 in 2020. This amount was subsequently recovered from the customer (or business partner) in 2021. No provision for foreseeable loss was made in FY2021.

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 Group also provides training to its staff regularly on safety procedures. The safety procedures of the Group are further audited periodically by an independent body. The safety audit was last conducted in FY2019. The Audit Committee also reviews the safety records of the Group on a quarterly basis. No material safety breaches were noted in FY2021.

The outbreak of Covid-19 in the dormitories in 2020 have resulted in a high portion of our workforce been quarantine and not available for deployment. Consequently, our revenue was significantly affected. A number of measures have since been implemented by the Group and this includes increasing the number of dormitories to house our workforce (previously from two to three sites), reducing the number of occupants in each room and housing them based on jobsites and work teams.

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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 disruptions, there are assurances for recovery. This will minimise disruption to businesses and operations.

In FY2020, the Company implemented a new Enterprise Resource Planning system ("**ERP**"). During the implementation phase, the Internal Auditor was tasked to review and identify potential control weaknesses. They had identified a number of weaknesses and had made recommendations to address them. During FY2021, as a follow up to their review conducted in FY2020, the Internal Auditor performed a follow up review to ensure that their recommendations were implemented by Management.

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 Group has a standard procedure in place which includes the approval of credit applications, performing credit evaluations, setting credit limits and the monitoring of credit risks on a regular basis. Cash terms or advance payments are required for customers with low credit rating process.

The Group impaired a total amount of $1,353,000 due from HIMS Integrated Services Sdn Bhd, a joint venture company between the Company and Highbase Strategic Sdn Bhd. For more details, please refer to page 7 on the outstanding amount due from Highbase and contract assets.

Market concentration risk

Until FY2018, the Group's revenue was substantially from its Singapore operations. 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).

To address both market and customers (or business partners) concentration risk, a number of initiatives to diversify its revenue base (including geographically) and broaden its range of services were undertaken. Since FY2019, the Group made its entries into Taiwan and Malaysia. For FY2021, Taiwan operations contributed to 25.5 per cent (%) of the Group's revenue. The Malaysia operations saw steady increasing revenue. The Group in these countries are working with key business partners (or customers) who have substantial investments in plants and facilities.

Besides geographical diversification, the Group has increased its range of offering. These include distributorship agency agreements of certain types of mechanical components (including distribution of automation tools), establishment of in-house scaffolding capabilities and providing specialised coating services.

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 resources. In order to retain and attract new talents, it provides staff with essential training and transparent career succession planning map.

Although the Singapore border was reopened in October 2021, the Group was unable to recruit sufficient foreign workers into its direct employed workforce to meet the growing demands for its services. Both the tightening of foreign workers entry into Singapore due to the Omicron variant and strict government quotas on employment of foreign workers have contributed to this shortfall. The deficit in manpower has resulted in the Group relying on costly subcontractors.

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During the financial year, the Company was found to have breached certain section of the Singapore Employment Act 1968 and was debarred by the Ministry of Manpower from applying for new employment passes. The debarment was lifted on 30 June 2021.

The Board on its own accord had commissioned a review of its work permit application processes and related human resource policies and procedures. This review was conducted by the Internal Auditor. They have reported their findings and made recommendations to the Board. These recommendations have been accepted and implemented since then. A follow up review will be conducted in 2022.

Compliance risk

As a listed Company incorporated in Singapore with overseas subsidiaries as well as a branch office in various countries, the Group is obligated to comply with all the local statutory and regulatory requirements, such as the Singapore Exchange Listing Manual requirements and the Companies Act 1967 etc. Rapid changes in laws and regulations and practices in different jurisdictions has made compliance more complicated. Fraud or deliberate wrongful act can result in financial loss.

The Group has an effective compliance framework which include putting in place the relevant internal control processes, policies and procedures, delegation of authority matrix, risk management and corporate governance to monitor the level of compliance so as to minimise the level of lapses. The Group also has an internal guideline (Code of Business Ethics and Conduct) and anti-corruption policies in which employees are being briefed on as they are accountable for such compliances. The Group also maintain a whistle blowing policy whereby employees and other stakeholders could raise concern on any unethical, fraudulent or corrupt practices, in good faith, without fear of retaliation for investigation and action subject to applicable laws.

During the year, the Taiwan Branch (established in March 2019) received a request from the Ministry of Justice Investigation Bureau to assist in their investigation. The Branch office complied with their request. We understand from an employee who was interviewed by the Ministry of Justice Investigation Bureau, that the subject of their investigation was on a former employee (non-management staff), whom had resigned on his own accord in April 2020. The Company has retained Messrs. Chen & Lin Attorneys-at-Law, a Taiwanese legal firm, in the event that the relevant authorities require further assistance.

The Audit Committee notes that the Branch's finance (accounting and treasury) and project management functions are supported by the Singapore operations. The financial records are maintained in Singapore by the Company's finance staff and is audited by the Singapore External Auditors. As at the date of this Annual Report, the External Auditors have provided the Company an unqualified audit opinion and the Ministry of Justice Investigation Bureau has not made any further contacts with the Branch since July 2021.

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.

Based on the internal controls established and maintained by the Group, work performed by the Internal Auditor as well as 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 of the Group.

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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

None of the members of the Audit Committee is a former partner or director of the Company's existing audit firm (a) within a period of two years commencing on the date of their ceasing to be a partner of the audit firm or director of the auditing corporation and (b) for as long as they have any financial interest in, the Company's existing auditing firm or auditing corporation.

The Audit Committee held four formal meetings during the financial year. These meetings were also attended by the Executive Directors, Executive Committee members (including 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 as defined under the terms of reference which has been approved by the Board. 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 the 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, held senior management position (with financial management experience) in a major processing plant in Singapore.

The Audit Committee has a written terms of reference approved 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, and effectiveness of the Group's internal audit functions;

- Reviewing the adequacy, 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;

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- 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.

The Audit Committee reviews the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls and risk management systems through discussion with Management and its auditors and the Board annually.

The Audit Committee also reviews the assurance from the Chairlady and Finance Director on the financial records and statements.

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 (who are mostly Executive Committee members) 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 and Internal Auditors on an annual basis, without the presence of the Management, to discuss the reasonableness of the financial reporting process, identification of internal control weaknesses and any matters that arose during the course of their work.

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).

CORPORATE GOVERNANCE REPORT

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 full year 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 of 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.

Impairment loss on Financial Assets (trade receivables and contract assets)

The Group recorded impairment losses of $571,000 for its trade receivables and $782,000 for contract assets for the year. The Audit Committee considered and is satisfied with Management's impairment assessment.

Impairment of the Company's Investment in HIMS

The Company recorded an impairment allowance of $322,000 on its joint venture (equity-accounted investee). The Audit Committee considered and is satisfied with Management's impairment allowance assessment.

External Auditor

The Audit Committee reviews the scope and results of the audit carried out by the External Auditors, the cost effectiveness of the audit and the independence and objectivity of the External Auditors. The Audit Committee also recommends to the Board the appointment, re-appointment and removal of External Auditors, and approves the remuneration and terms of engagement of the External Auditors. The re-appointment of the External Auditors is always subject to the shareholders' approval at the AGM of the Company.

The Audit Committee undertook the review of the independence and objectivity of the External Auditors, KPMG LLP ("**KPMG**"). 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.

CORPORATE GOVERNANCE REPORT

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

	Audit Fee	Non-audit Fee
Fees paid to External Auditors	S$177,000	S$22,000

The non-audit fee related to tax filing and tax advisory services.

Based on the above review, the Audit Committee is of the opinion that KPMG is, and is perceived to be, independent for the purpose of the Group's statutory audit.

In reviewing the nomination of KPMG for re-appointment for FY2022, the Audit Committee has considered the adequacy of the resources, experience and competence of KPMG, and has taken into account the Accounting and Corporate Regulatory Authority's ("**ACRA**") Audit Quality Indicators Framework relating to KPMG at the firm level and on the audit engagement level. Consideration was also given to the experience of the engagement partner and key team members in handling the audit. Based on the review, the Audit Committee is satisfied with the standard and quality of work performed by KPMG. It has recommended to the Board for nomination of KPMG for re-appointment as External Auditors at the forthcoming AGM of the Company.

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

KPMG are the auditors for the Company, subsidiaries (including significant foreign-incorporated subsidiaries) and the Group's interest in a foreign-incorporated equity accounted investee. KPMG International are the auditors of these significant foreign-incorporated companies.

The foreign-incorporated subsidiaries of Pegasus Advance Engineering Pte Ltd are either not required to be audited in their jurisdictions or are insignificant (both revenue and profit/loss) to the Group. In respect of the former, the legal entities have yet to commence operations. However, in the event they do commence operations and is significant to the Group, we will engage member firms of KPMG International to be auditors of these foreign-incorporated subsidiaries.

The Audit Committee is satisfied that the Group has complied with Rules 712 and 715 (read with 716) of the Listing Manual of the SGX-ST in relation to its selection and appointment of auditing firms. The Audit Committee and the Board are satisfied with the standards and the effectiveness of the audits performed by the independent auditors other than those of the Company.

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 and unethical conduct. The Group undertakes to investigate complaints of suspected fraud and unethical conduct 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.

CORPORATE GOVERNANCE REPORT

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 victimisation 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.

Interested Person Transactions

To ensure compliance with Chapter 9 of the Listing Manual of the SGX-ST, 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 907 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 reviews the reliability, independence, adequacy and effectiveness of the internal audit function in each year. In addition to the review of the adequacy and effectiveness of the internal audit function, the Audit Committee also ensures that resources are adequate so that the internal audits are performed effectively. The Audit Committee also approves the appointment, termination, evaluation and compensation of the Internal Auditor. 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 audit function of the Group is outsourced to MS Risk Management Pte Ltd (the "**Internal Auditor**"). The Internal Auditor is a member of the Institute of Internal Auditors Singapore and staffed with persons with the relevant qualifications with the Institution of Internal Auditors 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 Internal Auditor assists the Board and Audit Committee in monitoring the 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;

CORPORATE GOVERNANCE REPORT

- 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.

The Internal Auditor plans its internal audit schedule in consultation with, but independent of the Management. The Audit Committee reviews the internal audit plan, determines the scope of the audit examination and oversees the implementation of the improvements required on internal control weaknesses identified.

During the year, the Audit Committee has reviewed the report by the Internal Auditor, as well as discussed with Management and the External Auditors, and is satisfied that the Management has devised and maintained a system of internal accounting controls that is sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheet, and to maintain accountability of assets.

In addition, the Internal Auditors may be involved in ad-hoc projects initiated by the Board which require the assurance of the Internal Auditors in specific areas of concerns. During the year, the Board engaged the Internal Auditors to perform a review of the work permit application processes and its related policies and procedures. The Internal Auditors reported the audit findings and made recommendations to the Board. Refer to page 34 for further details.

The Audit Committee is satisfied that the Group's internal audit function is independent, effective and adequately resourced. The current internal audit function, outsourced to MS Risk Management Pte Ltd, is staffed by suitably qualified and experienced professional with the relevant experience to perform its internal audit function effectively.

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 a balanced and understandable assessment of its performance, position and prospects.

Shareholders are informed of shareholders' meetings through notices contained in annual reports or circulars send to all shareholders. These notices are also published in the Business Times and posted onto the SGXNET.

Pursuant to Rule 730A(2) of the Listing Manual, all resolutions proposed at the AGM and at any adjournment thereof shall be put to the vote by way of poll. All shareholders are entitled to vote in accordance with the established voting rules and procedures at the AGM. Each share is entitled to one vote. An external firm is appointed as scrutineers for the AGM voting process. The detailed results setting out the number of votes cast for and against each resolution and the respective percentages are announced via SGXNET after the AGM.

The resolutions tabled at the general meetings are on each substantially separate issue, including treating the election or re-election of each director as a separate subject matter. Detailed information on each item in the AGM agenda is provided in the explanatory notes to the Notice of AGM in the Annual Report.

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.

CORPORATE GOVERNANCE REPORT

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 respective Chairmen of the Audit Committee, Nominating Committee and Remuneration Committee, 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 FY2020 held on 23 April 2021 had been published by the Company on its corporate website and SGX-ST 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 2021, the Board has proposed, subject to shareholders' approval at the AGM, a first and final tax-exempt (one-tier) dividend of 0.04 cents per ordinary share (2020: 0.04 cents) and a special tax-exempt (one-tier) dividend of 0.02 cents per ordinary share (2020: nil). The proposed dividends for FY2021 will be paid out from current year profit. The dollar value of the dividends proposed is $348,000 and represents 52.3 per cent (%) of the Group's profit after tax for FY2021.

AGM – to be held on 22 April 2022

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 (Chairlady) of the AGM in advance of the AGM, addressing of substantial and relevant questions prior to the AGM and voting by appointing the Chairman (Chairlady) of the AGM as proxy at the AGM, will be put in place for the AGM to be held on 22 April 2022. Shareholders are encouraged to submit their questions by the 14 April 2022. The Company will respond to these submitted questions and published it on the (i) SGX's website and (ii) the Company's corporate website on or before 17 April 2022 (in accordance with the guidelines in which questions must be responded forty-eight (48) hours prior to the closing date and time for the lodgement of the proxy forms). In addition, the Company has adopted an interactive platform for the AGM and shareholders are allowed to ask questions on the day of the AGM itself. 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.

ENGAGEMENT WITH SHAREHOLDERS

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.

The Company is committed to corporate governance and transparency by disclosing to its stakeholders, including its shareholders, as much relevant information as far as possible, in a timely, fair and transparent manner as well as to hearing its shareholders' views and addressing their concerns. By supplying shareholders with reliable and timely information, the Company is able to strengthen the relationship with its shareholders based on trust and accessibility.

CORPORATE GOVERNANCE REPORT

All shareholders of the Company receive the Annual Report and Notice of AGM on a yearly basis. 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. Shareholders are invited to participate in the question-and-answer session. 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.

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 Company does not have an Investor Relations Policy in place. However, the Board's policy is that all Shareholders should be informed simultaneously in an accurate and comprehensive manner regarding all material developments that impact the Group via SGXNet, the Company's website www.mun-siong.com and where appropriate through media release on an immediate basis, in line with the Group's disclosure obligations pursuant to the Listing Manual of the SGX-ST and the Companies Act 1967.

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.

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 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, customers (or 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. The Company's Sustainability Report will be made available on our website on 14 April 2022.

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 to communicate and engage stakeholders. 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 REPORT

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 FY2021, there was no trading of the Company's shares by its Directors and officers.

DIRECTORS' STATEMENT

We are pleased to present this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2021.

In our opinion:

(a) the financial statements set out on pages 56 to 110 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 2021 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 Companies Act 1967 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

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 1967 (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: Holdings at beginning of the year	Direct interests: Holdings at end of the year	Deemed interests: Holdings at beginning of the year	Deemed interests: Holdings at end of the year
The Company				
Ordinary shares				
Cheng Woei Fen	278,997,600	278,997,600	36,167,400	36,167,400
Quek Kian Hui	86,376,800	86,376,800	–	–

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 2022.

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

Principal Terms of the Plan (Continued)

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 Mah Kai Leong (Chairman), Mr David Tan Chao Hsiung and Mr Lau Teik Soon.

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.

On 4 March 2021, an employee was awarded 2,400,000 shares. The first tranche of the Award in respect of 800,000 Shares will vest after the financial year 31 December 2021, the second tranche of the Award, in respect of 800,000 shares will vest after the financial year 31 December 2022 and the third tranche in respect of 800,000 shares will vest after financial year 31 December 2023.

DIRECTORS' STATEMENT

Principal Terms of the Plan (Continued)

Details of all share awards of the Company granted pursuant to the Plan as at 31 December 2021 are as follows:

Date of grant of share awards	Share awards outstanding as at 1 January 2021	Share awards granted during the year	Share awards vested during the year	Share awards lapsed during the year	Share awards outstanding as at 31 December 2021
21/2/2019	800,000	–	(800,000)	–	–
4/3/2021	–	2,400,000	–	–	2,400,000

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

Cheng Woei Fen
Director

Quek Kian Hui
Director

30 March 2022

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 2021, 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 56 to 110.

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 Companies Act 1967 (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 2021 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

Revenue recognition
(Refer to Note 21 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.

How the matter was addressed in our audit

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

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

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

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

Findings

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

INDEPENDENT AUDITORS' REPORT

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 2021, the aggregate carrying values of the Group's and Company's property, plant and equipment (and right-of-use assets) totalled \$17.3 million and \$14.9 million (2020: \$16.4 million and \$16.1 million) respectively. The aggregate carrying values represented 19.9% and 16.8% (2020: 20.5% and 20.4%) of the total assets of the Group and the Company respectively.

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

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

How the matter was addressed in our audit

We considered the need for impairment provisions by assessing whether there were indicators of potential impairment in each significant CGU taking into consideration changes in profitability, cashflow generation and outlook as compared to the previous reporting period. In addition, we considered, whether the gap between the Group's net assets and market capitalisation of the Group represents an impairment indicator. Where impairment trigger exists and the recoverable amount of that CGU is estimated, we challenged the forecasts of its future revenues, operating costs, capital expenditure and discount rates based on our knowledge of the business and industry. We assessed the arithmetical accuracy of the discounted cash flow models by re-performing the mathematical calculations.

Findings

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

INDEPENDENT AUDITORS' REPORT

Accounting for the Group's investment in HIMS Integrated Services Sdn Bhd ("HIMS")

(a) Impairment of trade receivables and contract assets
(Refer to Note 28 to the financial statements)

The key audit matter

In 2019, as part of the Group's entry into the Malaysian market, the Group entered into a joint venture arrangement with an external party to set up HIMS. HIMS was set up to undertake the contract award issued by a large oil and gas company for integrated turnaround mechanical and maintenance works. The Group's subsidiary, Pegasus Advanced Engineering Sdn Bhd ("PAE(M)") was engaged as a subcontractor by HIMS.

In the last quarter of the financial year, a default payment risk arose between PAE(M) and HIMS over payments for services performed by PAE(M). In December 2021, the Group issued a letter of demand to HIMS for payment.

As set out in Note 28 of the financial statements, the Group assessed that the related trade receivables and contract assets were credit impaired, having considered the default payment risk of HIMS.

The Group recorded total impairment losses over the related trade receivables and contract assets of $0.6 million and $0.8 million respectively.

Judgement is required in making assumptions about the risk of default and expected loss rates to determine if adequate loss allowance is made to account for the Group's exposure.

How the matter was addressed in our audit

We assessed the appropriateness of management's impairment assessment through evaluation of all supportable information, which includes historical, current and forecast information.

Findings

The impairment losses recorded on the trade receivables and contract assets did not differ materially from our assessment of the estimated impairment losses, based on the prevailing circumstances at the date of issuance of the financial statements.

INDEPENDENT AUDITORS' REPORT

Accounting for the Group's investment in HIMS Integrated Services Sdn Bhd ("HIMS") (Continued)

(b) Impairment of the Company's investment in HIMS (standalone financial statements)
(Refer to Note 8 to the financial statements)

The key audit matter	How the matter was addressed in our audit
The increased default payment risk between the Group and HIMS represents an impairment indicator to the Company's investment in HIMS. Taking into account the above default payment risk and developments and based on the assessment undertaken, the Company impaired the equity investment amount of $322,000 in HIMS fully.	We assessed the Company's estimate of the recoverable amount of its investment in HIMS, taking into consideration the financial position of HIMS and the other indicators identified by management.

Findings

We found the Company's estimates used in determining the recoverable amount of its investment in HIMS to be balanced.

INDEPENDENT AUDITORS' REPORT

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.

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.

INDEPENDENT AUDITORS' REPORT

- 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.

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
30 March 2022

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021

	Note	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Assets					
Property, plant and equipment	4	17,269	16,357	14,873	16,080
Intangible asset	5	–	–	–	–
Investment properties	6	1,270	1,205	1,270	1,205
Subsidiaries	7	–	–	5,428	2,828
Investment in an equity-accounted investee	8	1	244	–	240
Non-current assets		18,540	17,806	21,571	20,353
Inventories	9	119	193	119	193
Contract assets	10	9,621	10,002	9,600	9,699
Trade and other receivables	11	23,622	14,127	24,993	15,323
Cash and cash equivalents	12	35,077	37,737	31,999	33,350
Current assets		68,439	62,059	66,711	58,565
Total assets		86,979	79,865	88,282	78,918
Equity					
Share capital	13	26,254	26,254	26,254	26,254
Translation reserve	14	83	34	100	40
Treasury shares	15	(65)	(92)	(65)	(92)
Share-based compensation reserve	16	(39)	(34)	(39)	(34)
Retained earnings		28,845	28,403	30,365	28,225
Equity attributable to owners of the Company		55,078	54,565	56,615	54,393
Non-controlling interests		–	9	–	–
Total equity		55,078	54,574	56,615	54,393
Liabilities					
Loans and borrowings	17	3,770	5,462	3,750	5,417
Provisions	18	1,289	1,264	1,289	1,264
Deferred tax liabilities	19	1,331	1,568	1,331	1,561
Non-current liabilities		6,390	8,294	6,370	8,242
Trade and other payables	20	21,753	13,776	21,637	13,169
Contract liabilities	10	1,418	1,243	1,418	1,243
Loans and borrowings	17	1,762	986	1,734	937
Provisions	18	462	504	462	504
Current tax payable		116	488	46	430
Current liabilities		25,511	16,997	25,297	16,283
Total liabilities		31,901	25,291	31,667	24,525
Total equity and liabilities		86,979	79,865	88,282	78,918

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	Note	2021 $'000	2020 $'000
Revenue	21	74,646	46,929
Cost of sales		(69,038)	(42,771)
Gross profit		5,608	4,158
Other income	22	1,938	1,368
Administrative expenses		(6,721)	(5,746)
Other operating income/(expenses)		274	(94)
Share of results of an equity-accounted investee		(321)	4
Results from operating activities		778	(310)
Finance income	23	59	170
Finance costs	23	(157)	(87)
Profit/(loss) before tax	24	680	(227)
Tax expense	25	(15)	(300)
Profit/(loss) for the year		665	(527)
Profit/(loss) attributable to:			
Owners of the Company		674	(526)
Non-controlling interests		(9)	(1)
Profit/(loss) for the year		665	(527)
Other comprehensive income			
Item that is or may be reclassified subsequently to profit or loss:			
Foreign currency translation difference from foreign operations		49	35
Total comprehensive income for the year		714	(492)
Total comprehensive income attributable to:			
Owners of the Company		723	(491)
Non-controlling interests		(9)	(1)
Total comprehensive income for the year		714	(492)
Earnings per share			
Basic earnings per share (cents)	26	0.12	(0.09)
Diluted earnings per share (cents)	26	0.12	(0.09)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

		Attributable to owners of the Company							
Group	**Note**	**Share capital $'000**	**Translation reserve $'000**	**Treasury shares $'000**	**Retained earnings $'000**	**Share-based compensation reserve $'000**	**Total $'000**	**Non-controlling interests $'000**	**Total equity $'000**
At 1 January 2020		26,254	(1)	(138)	29,001	(17)	55,099	10	55,109
Total comprehensive income for the year									
Loss for the year		–	–	–	(526)	–	(526)	(1)	(527)
Other comprehensive income									
Foreign currency translation difference from foreign operations		–	35	–	–	–	35	–	35
Total comprehensive income for the year		–	35	–	(526)	–	(491)	(1)	(492)
Transactions with owners, recognised directly in equity									
Contributions by and distributions to owners									
Dividends	13	–	–	–	(72)	–	(72)	–	(72)
Purchase of treasury shares		–	–	(9)	–	–	(9)	–	(9)
Share-based payment transactions	16	–	–	55	–	(17)	38	–	38
Total transactions with owners		–	–	46	(72)	(17)	(43)	–	(43)
At 31 December 2020		26,254	34	(92)	28,403	(34)	54,565	9	54,574

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

Group	Note	Share capital $'000	Translation reserve $'000	Treasury shares $'000	Retained earnings $'000	Share-based compensation reserve $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
		Attributable to owners of the Company							
At 1 January 2021		26,254	34	(92)	28,403	(34)	54,565	9	54,574
Total comprehensive income for the year									
Profit for the year		–	–	–	674	–	674	(9)	665
Other comprehensive income									
Foreign currency translation difference from foreign operations		–	49	–	–	–	49	–	49
Total comprehensive income for the year		–	49	–	674	–	723	(9)	714
Transactions with owners, recognised directly in equity									
Contributions by and distributions to owners									
Dividends	13	–	–	–	(232)	–	(232)	–	(232)
Purchase of treasury shares		–	–	(16)	–	–	(16)	–	(16)
Share-based payment transactions	16	–	–	43	–	(5)	38	–	38
Total transactions with owners		–	–	27	(232)	(5)	(210)	–	(210)
At 31 December 2021		26,254	83	(65)	28,845	(39)	55,078	–	55,078

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Note	2021 $'000	2020 $'000
Cash flows from operating activities			
Profit/(loss) before tax		680	(227)
Adjustments for:			
Depreciation of property, plant and equipment		3,284	3,435
Loss/(gain) on disposal of property, plant and equipment		10	(2)
Unwinding of discount on provision for restoration costs		25	20
Property, plant and equipment written off		6	14
Impairment losses on contract assets		782	–
Equity-settled share-based payment transactions		38	38
Fair value (gain)/loss on investment properties		(65)	20
(Write back)/provision for onerous contracts		(42)	42
Provision/(write back) of impairment losses on trade receivables		571	(155)
Share of results of an equity-accounted investee		321	(4)
Interest expense		132	67
Interest income		(59)	(170)
		5,683	3,078
Changes in inventories		74	49
Changes in contract assets		(401)	6,226
Changes in contract liabilities		175	1,099
Changes in trade and other receivables		(11,120)	4,689
Changes in trade and other payables		7,977	(5,942)
Cash generated from operating activities		2,388	9,199
Tax paid		(623)	(95)
Net cash from operating activities		1,765	9,104
Cash flows from investing activities			
Interest received		59	170
Investment in an equity-accounted investee		(82)	(81)
Acquisition of property, plant and equipment		(3,142)	(3,174)
Proceeds from disposal of property, plant and equipment		9	4
Net cash used in investing activities		(3,156)	(3,081)
Cash flows from financing activities			
Repayment of bank loans		(341)	–
Proceeds from bank loans		–	5,000
Dividends paid		(232)	(72)
Payment of lease liabilities		(567)	(550)
Purchase of treasury shares		(16)	(9)
Interest paid		(139)	(57)
Net cash (used in)/from financing activities		(1,295)	4,312
Net (decrease)/increase in cash and cash equivalents		(2,686)	10,335
Cash and cash equivalents at 1 January		37,737	27,363
Effect of exchange rate fluctuations on cash held		26	39
Cash and cash equivalents at 31 December	12	35,077	37,737

Significant non-cash transactions

During the financial year, the Group acquired property, plant and equipment totalling $4,196,000 (2020: $5,532,000), of which:

(i) Reclassification of $1,054,000 (2020: $Nil) from prepayment to property, plant and equipment upon full implementation of computer software system; and

(ii) New leases acquired of $Nil (2020: $2,358,000).

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

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 30 March 2022.

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 2021 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 7 and Note 8 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 Group has applied a number of SFRS(I)s amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2021. These amendments to standards and interpretations does not have a material effect on the financial statements.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

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

- Note 4 – Impairment of property, plant and equipment;
- Note 8 – Impairment of the Company's investment in an equity-accounted investee; and
- Note 21 – Revenue recognition: estimate of total contract costs used in determining the percentage of completion.

Measurement of fair values

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

Significant valuation issues are reported to the Group's Audit Committee.

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

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

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

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

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

* Note 6 – Valuation of investment properties; and
* Note 29 – Determination of fair values.

NOTES TO 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currency (Continued)

Foreign operations

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

Foreign currency differences are recognised in other comprehensive income. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Property, plant and equipment (Continued)

Depreciation

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

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

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

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

• Leasehold property	2 to 59 years
• Machinery, tools and equipment	12 to 15 years
• Furniture and office equipment	3 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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 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.

3.6 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Leases (Continued)

(i) As a lessee (continued)

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.

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'.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 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.

3.8 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Financial instruments (Continued)

(ii) Classification and subsequent measurement (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Financial instruments (Continued)

(ii) Classification and subsequent measurement (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Financial instruments (Continued)

(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.

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.

3.9 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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 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. 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 of disposal. 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 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.

3.11 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 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.

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”.

3.13 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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 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”.

3.15 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*.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Tax (Continued)

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

3.16 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.

3.17 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.

3.18 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 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements.

The application of the new standards and 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

4 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold property $'000	Machinery, tools and equipment $'000	Furniture and office equipment $'000	Motor vehicles $'000	Other assets $'000	Total $'000
Cost						
At 1 January 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
At 1 January 2021	13,785	32,165	1,928	7,440	523	55,841
Transfer	–	51	–	(51)	–	–
Additions	2,152	723	1,060	261	–	4,196
Disposals/write-off	–	(31)	(12)	–	–	(43)
Effect of movements in exchange rates	8	16	–	3	–	27
At 31 December 2021	15,945	32,924	2,976	7,653	523	60,021
Accumulated depreciation						
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
At 1 January 2021	11,771	19,973	1,737	5,480	523	39,484
Transfer	–	1	–	(1)	–	–
Depreciation	808	1,728	387	361	–	3,284
Disposals/write-off	–	(6)	(12)	–	–	(18)
Effect of movements in exchange rates	1	1	–	–	–	2
At 31 December 2021	12,580	21,697	2,112	5,840	523	42,752
Carrying amounts						
At 1 January 2020	789	11,437	328	1,706	16	14,276
At 31 December 2020	2,014	12,192	191	1,960	–	16,357
At 31 December 2021	3,365	11,227	864	1,813	–	17,269

NOTES TO THE FINANCIAL STATEMENTS

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Leasehold property $'000	Machinery, tools and equipment $'000	Furniture and office equipment $'000	Motor vehicles $'000	Other assets $'000	Total $'000
Cost						
At 1 January 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
At 1 January 2021	13,799	32,068	2,234	6,727	513	55,341
Transfer	–	51	–	(51)	–	–
Additions	–	655	1,060	261	–	1,976
Disposals	–	(31)	–	–	–	(31)
Effect of movements in exchange rates	8	16	–	3	–	27
At 31 December 2021	13,807	32,759	3,294	6,940	513	57,313
Accumulated depreciation						
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
At 1 January 2021	11,852	19,939	2,126	4,831	513	39,261
Transfer	–	1	–	(1)	–	–
Depreciation	745	1,719	365	354	–	3,183
Disposals/write off	–	(6)	–	–	–	(6)
Effect of movements in exchange rates	1	1	–	–	–	2
At 31 December 2021	12,598	21,654	2,491	5,184	513	42,440
Carrying amounts						
At 1 January 2020	814	11,433	324	1,705	27	14,303
At 31 December 2020	1,947	12,129	108	1,896	–	16,080
At 31 December 2021	1,209	11,105	803	1,756	–	14,873

In 2021 and 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment of property, plant and equipment

In view of the Group's market capitalisation being lower than its net assets as at the balance sheet date, the Group performed an impairment assessment of its property, plant and equipment by determining the recoverable amount based on value in use. This assessment requires significant judgement and takes into account past performance, management's expectation of market developments, future cash flows and discount rates. The post-tax discount rate used in the calculation of recoverable amount is as follows:

	2021	2020
	%	%
Post-tax discount rate	**9.2**	**8.6**
Sales growth rate	**10.0-12.0**	**7.0-8.0**
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

Group and Company	Licensing rights $'000
Cost	
At 1 January 2020, 31 December 2020 and 31 December 2021	1,487
Accumulated amortisation	
At 1 January 2020, 31 December 2020 and 31 December 2021	1,487
Carrying amounts	
At 1 January 2020, 31 December 2020 and 31 December 2021	–

Impairment of intangible asset

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

In 2021 and 2020, the management assessed that there were no indicators of reversal of impairment.

NOTES TO THE FINANCIAL STATEMENTS

6 INVESTMENT PROPERTIES

	Group and Company	
	2021	**2020**
	$'000	**$'000**
At 1 January	1,205	1,225
Fair value gain/(loss)	65	(20)
At 31 December	1,270	1,205

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 lessee. No contingent rents are charged.

Changes in fair values are recognised as gains or losses in profit or loss and included in 'other operating income'. All gains or 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 $1,270,000 (2020: $1,205,000) has been categorised as a Level 2 fair value based on the inputs to the valuation technique used (see Note 6(ii)).

(ii) Valuation technique

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

7 SUBSIDIARIES

	Company	
	2021	2020
	$'000	$'000
Unquoted equity investments, at cost	7,184	4,584
Allowance for impairment loss	(1,756)	(1,756)
	5,428	2,828

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, PAE(M). The total paid up capital of this company was $245,000 (RM750,000).

During the year, the Company entered into a subscription agreement with PAE(M) and its other shareholder, MRA. The Company, the subscriber, fully subscribed to $2,600,000 (RM8,000,000) value of redeemable convertible preference shares issued by PAE(M).

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity held by the Company 2021 %	2020 %
OHM Engineering Pte Ltd	Mechanical and electrical engineering services	Singapore	100	100
Pegasus Advance Engineering Pte. Ltd.(1)	Investment holding company	Singapore	100	100
Mun Siong Engineering Sdn Bhd(2)	Provision of engineering services and contractor to the process industries in Malaysia	Malaysia	100	100
Mun Siong Engineering Sdn Bhd and its subsidiary				
Pegasus Advance Engineering Sdn Bhd(2),(3),(4)	Provision of project management and mechanical engineering services in Malaysia	Malaysia	49	49

NOTES TO THE FINANCIAL STATEMENTS

7 SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity held by the Company 2021 %	2020 %
Pegasus Advance Engineering Pte. Ltd. and its subsidiaries				
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

(1) Audited by KPMG LLP.

(2) Audited by KPMG PLT, Johor, Malaysia.

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

(4) 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 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 2021 and 2020, the Company did not identify any indicator of impairment or reversal of impairment.

8 INVESTMENT IN AN EQUITY-ACCOUNTED INVESTEE

	Group		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Interest in a joint venture	1	244	322	240
Allowance for impairment loss	–	–	(322)	–
	1	244	–	240

On 21 August 2019, the Company entered into a Shareholders' Agreement with Highbase Strategic Sdn Bhd ("HSSB") to set up HIMS. On 4 March 2020, the Company injected $81,000 (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.

NOTES TO THE FINANCIAL STATEMENTS

8 INVESTMENT IN AN EQUITY-ACCOUNTED INVESTEE (CONTINUED)

In accordance with the agreement which HIMS is established, the Company and HSSB have agreed to make additional contributions in proportion to their interests to enable HIMS to continuously maintain a positive shareholders' fund.

In the previous year, following the incorporation of HIMS, legal fees amounting to $159,000 was transferred from prepayments (Note 11) to investment in an equity-accounted investee.

During the year, the Company contributed, on a pro-rata basis, to the uncalled paid-up share capital of HIMS. The contribution amounted to $82,000 (RM245,000), resulting in a total of RM490,000 share capital agreed in the Shareholders' Agreement signed on 21 August 2019.

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

	Group	
	2021	**2020**
	$'000	**$'000**
Revenue	192	983
(Loss)/profit from continuing operations[a]	(654)	9
OCI	–	–
Total comprehensive income	(654)	9

a Includes:
– depreciation of $6,000 (2020: $3,000)
– impairment loss on trade and other receivables of $665,000 (2020: Nil)

	2021	2020
Non-current assets	4	6
Current assets[b]	299	375
Current liabilities – trade and other payables and provisions	(626)	(207)
Net (liabilities)/assets	(323)	174

b Includes cash and cash equivalents of $85,000 (2020: $26,000)

	2021	2020
Group's interest in net assets of an investee at the beginning of year	244	–
Share of total comprehensive income	(325)	4
Group's contribution during the year	82	81
Capitalisation of legal fees	–	159
Carrying amount of interest in an investee at end of the year	1	244

Impairment

The Company assessed the carrying amount of its investment in a joint venture for indicators of impairment. Based on the assessment, in 2021, the Company recognised an impairment loss of $322,000 on its investment in a joint venture due to default payment risk between the joint venture and its subsidiary (Note 28). The recoverable amount of the joint venture was estimated taking into consideration the fair value of the underlying assets and the liabilities. These net assets comprise predominantly working capital items whose carrying values closely approximate the fair values. The fair value measurement was categorised as a Level 3 in the fair value hierarchy based on the inputs in the valuation techniques used.

NOTES TO THE FINANCIAL STATEMENTS

9 INVENTORIES

	Group and Company	
	2021	2020
	$'000	$'000
Consumables, at cost	119	193

In 2021, changes in consumables recognised as cost of sales amounted to $110,000 (2020: $49,000).

10 CONTRACT ASSETS/(CONTRACT LIABILITIES)

		Group		Company	
	Note	2021	2020	2021	2020
		$'000	$'000	$'000	$'000
Contract assets		10,403	10,002	9,600	9,699
Allowance for impairment		(782)	–	–	–
Net contract assets	(i)	9,621	10,002	9,600	9,699
Contract liabilities	(ii)	(1,418)	(1,243)	(1,418)	(1,243)
		8,203	8,759	8,182	8,456

(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 2021 and 2020 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:

	2021	2020
	$'000	$'000
Revenue recognised that was included in contract liabilities at the beginning of the year	1,243	144

NOTES TO THE FINANCIAL STATEMENTS

11 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Trade receivables	22,862	11,667	22,288	11,504
Allowance for impairment losses	(600)	(29)	(29)	(29)
Net trade receivables	22,262	11,638	22,259	11,475
Amounts due from subsidiaries (non-trade)	–	–	1,472	1,394
Deposits	1,019	1,271	1,009	1,260
Other receivables	33	39	33	19
	23,314	12,948	24,773	14,148
Prepayments	308	1,179	220	1,175
	23,622	14,127	24,993	15,323

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 2019, prepayments included legal fees amounting to $159,000 for setting up of an equity-accounted investee, HIMS. In 2020, following the incorporation of HIMS, this amount was transferred to investment in an equity-accounted investee (Note 8).

In the previous financial year, prepayments included costs of software system that had yet to be fully implemented of $1,054,000. During the year, following the full implementation of this software system, this amount was transferred to Property, Plant and Equipment (Note 4).

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

12 CASH AND CASH EQUIVALENTS

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Cash at bank and on hand	19,150	24,624	16,479	21,307
Fixed deposits	15,927	13,113	15,520	12,043
Cash and cash equivalents in the consolidated statement of cash flows	35,077	37,737	31,999	33,350

Fixed deposits placed with financial institutions have maturity period within one to three months (2020: one to three months) from the financial year end and interest rates ranging from 0.25% to 0.50% (2020: 0.20% to 1.80%) per annum, which are also the effective interest rates.

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

NOTES TO THE FINANCIAL STATEMENTS

13 SHARE CAPITAL

	Ordinary shares	
	2021	2020
	Number of shares	Number of shares
	'000	'000
Company		
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	
	2021	2020
	$'000	$'000
Paid by the Company to owners of the Company		
0.04 cents per ordinary share (2020: 0.04 cents), comprising a first and final dividend of 0.04 cents per ordinary share (2020: 0.04 cents)	232	72

In FY2020, in view of the COVID-19 situation, the Executive Chairlady, Madam 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, a first and final tax exempt (one-tier) dividends and a special tax exempt (one-tier) dividends are proposed by the directors. These tax exempt (one-tier) dividends have not been provided for.

	Group and Company	
	2021	2020
	$'000	$'000
A first and final dividend of 0.04 cents per ordinary share (2020: 0.04 cents)	232	232
A special dividend of 0.02 cents per ordinary share (2020: nil)	116	–
	348	232

NOTES TO THE FINANCIAL STATEMENTS

13 SHARE CAPITAL (CONTINUED)

Capital management

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

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

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

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

14 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.

15 TREASURY SHARES

Treasury shares comprises the cost of the Company's shares held by the Group. As at 31 December 2021, the Group held 934,000 (2020: 1,422,000) of the Company's shares.

16 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 2021 and 2020, the second and third tranche of the Award in respect of 800,000 shares in each tranche were vested to the employee under the MSE PSP.

NOTES TO THE FINANCIAL STATEMENTS

16 SHARE-BASED PAYMENT ARRANGEMENTS (CONTINUED)

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

On 4 March 2021, 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 will vest after financial year ended 31 December 2021;
(b) The second tranche of the Award in respect of 800,000 shares will vest after the financial year ended 31 December 2022; and
(c) The third tranche of the Award in respect of 800,000 shares will vest after financial year ended 31 December 2023.

Expense recognised in profit or loss

For the current financial year, the Group has recognised a share-based compensation expense of $38,000 (2020: $38,000) in relation to the MSE PSP.

17 LOANS AND BORROWINGS

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Non-current liabilities				
Lease liabilities	327	879	307	834
Bank loans	3,443	4,583	3,443	4,583
	3,770	5,462	3,750	5,417
Current liabilities				
Lease liabilities	543	559	515	510
Bank loans	1,219	427	1,219	427
	1,762	986	1,734	937
Total loans and borrowings	5,532	6,448	5,484	6,354

NOTES TO THE FINANCIAL STATEMENTS

17 LOANS AND BORROWINGS (CONTINUED)

Terms and debt repayment schedule

	Currency	Nominal interest rate %	Year of maturity	Face value $'000	Carrying amount $'000
Group					
2021					
Lease liabilities	SGD	1.6 to 2.9	2022-2024	850	822
Lease liabilities	MYR	3.5	2022-2023	49	48
Bank loans	SGD	2.0 to 2.1	2025	4,845	4,662
				5,744	5,532
2020					
Lease liabilities	SGD	1.6 to 2.9	2022-2024	1,402	1,344
Lease liabilities	MYR	3.5	2022-2023	98	94
Bank loans	SGD	2.0 to 2.1	2025	5,277	5,010
				6,777	6,448
Company					
2021					
Lease liabilities	SGD	1.6 to 2.9	2022-2024	850	822
Bank loans	SGD	2.0 to 2.1	2025	4,845	4,662
				5,695	5,484
2020					
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

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

NOTES TO THE FINANCIAL STATEMENTS

17 LOANS AND BORROWINGS (CONTINUED)

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

	Lease liabilities $'000	Bank loans $'000	Total $'000
Group			
At 1 January 2021	1,438	5,010	6,448
Changes from financing cash flows			
Payment of lease liabilities	(567)	–	(567)
Repayment of borrowings	–	(341)	(341)
Interest paid	(31)	(108)	(139)
Total changes from financing cash flows	(598)	(449)	(1,047)
The effect of changes in foreign exchange	(1)	–	(1)
Other changes			
Liability-related			
Interest expense	31	101	132
Total liability-related other changes	31	101	132
At 31 December 2021	870	4,662	5,532
At 1 January 2020	497	–	497
Changes from financing cash flows			
Payment of lease liabilities	(550)	–	(550)
Interest paid	(29)	(28)	(57)
Proceeds from bank loans	–	5,000	5,000
Total changes from financing cash flows	(579)	4,972	4,393
Other changes			
Liability-related			
Lease modifications	1,140	–	1,140
New leases	351	–	351
Interest expense	29	38	67
Total liability-related other changes	1,520	38	1,558
At 31 December 2020	1,438	5,010	6,448

NOTES TO THE FINANCIAL STATEMENTS

18 PROVISIONS

(i) Provision for restoration costs

	Group and Company	
	2021	2020
	$'000	$'000
Balance at 1 January	1,264	374
Provisions made during the year	–	870
Unwinding of discount	25	20
Balance at 31 December	1,289	1,264

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	
	2021	2020
	$'000	$'000
Balance at 1 January and 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	
	2021	2020
	$'000	$'000
Balance at 1 January	42	–
Provisions made during the year	–	42
Provisions reversed 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.

In 2021, the provision is no longer required as the customer agreed to the Company's additional works request.

	Group and Company	
	2021	2020
	$'000	$'000
Provisions		
Non-current	1,289	1,264
Current	462	504
	1,751	1,768

NOTES TO THE FINANCIAL STATEMENTS

19 DEFERRED TAX LIABILITIES

Movements in temporary differences during the year are as follows:

	At 1 January 2020 $'000	Recognised in profit or loss (Note 25) $'000	At 31 December 2020 $'000	Recognised in profit or loss (Note 25) $'000	At 31 December 2021 $'000
Group					
Deferred tax assets					
Unutilised capital allowances	–	(223)	(223)	223	–
Provisions	(48)	8	(40)	(55)	(95)
Trade and other receivables	–	25	25	(25)	–
	(48)	(190)	(238)	143	(95)
Deferred tax liabilities					
Property, plant and equipment	1,629	177	1,806	(380)	1,426
	1,581	(13)	1,568	(237)	1,331
Company					
Deferred tax assets					
Unutilised capital allowances	–	(223)	(223)	223	–
Provisions	(48)	8	(40)	(55)	(95)
Trade and other receivables	–	25	25	(25)	–
	(48)	(190)	(238)	143	(95)
Deferred tax liabilities					
Property, plant and equipment	1,629	170	1,799	(373)	1,426
	1,581	(20)	1,561	(230)	1,331

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	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Deferred tax liabilities	1,331	1,568	1,331	1,561

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

	Group	
	2021 $'000	2020 $'000
Unabsorbed capital allowances	3	48
Deductible temporary differences	1,344	16
	1,347	64

20 TRADE AND OTHER PAYABLES

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables	10,056	6,278	9,573	6,089
Amounts due to subsidiaries				
– trade	–	–	1,486	451
– non-trade	–	–	134	–
Other payables and accruals	11,697	7,498	10,444	6,629
	21,753	13,776	21,637	13,169

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 28.

21 REVENUE

	Group	
	2021	**2020**
	$'000	**$'000**
Revenue from contracts with customers	74,646	46,929

As at 31 December 2021, the Group has revenue of $3,998,000 (2020: $10,873,000) 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

21 REVENUE (CONTINUED)

Disaggregation of revenue

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

	Group	
	2021	**2020**
	$'000	**$'000**
Primary geographical markets		
Singapore	53,002	43,702
Indonesia	453	182
Malaysia	2,132	1,624
Taiwan	19,059	1,421
	74,646	46,929

22 OTHER INCOME

	Group	
	2021	**2020**
	$'000	**$'000**
Rental income	46	46
(Loss)/gain on disposal of property, plant and equipment	(10)	2
Government grants	1,520	539
Sale of scraps and pinnacle pigs	356	534
Others	26	247
	1,938	1,368

23 FINANCE INCOME AND FINANCE COSTS

	Group	
	2021	**2020**
	$'000	**$'000**
Finance income		
Interest income	59	170
Finance costs		
Financial liabilities measured at amortised costs – interest expense	(132)	(67)
Unwinding of discount on provision for restoration costs	(25)	(20)
	(157)	(87)

NOTES TO THE FINANCIAL STATEMENTS

24 PROFIT/(LOSS) BEFORE TAX

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

	Group	
	2021	2020
	$'000	$'000
Staff costs	31,391	22,455
Contribution to defined contribution plans included in staff costs	932	1,005
Jobs support scheme grant	(131)	(1,989)
Equity-settled share-based payment transactions	38	38
Depreciation of property, plant and equipment	3,284	3,435
Operating expenses arising from rental of investment properties	14	13
Audit fees paid to:		
– auditors of the Company	177	141
– other auditors	13	7
Non-audit fees paid to auditors of the Company	22	5
Provision/(write back) of impairment losses on trade receivables	571	(155)
Impairment losses on contract assets	782	–
Fair value (gain)/loss on investment properties	(65)	20
Net foreign exchange (gain)/loss	(215)	60

25 TAX EXPENSE

	Group	
	2021	2020
	$'000	$'000
Current tax expense		
Current year	217	58
Under-provision in respect of prior years	35	255
	252	313
Deferred tax expense		
Origination and reversal of temporary differences	115	(13)
Over-provision in respect of prior years	(352)	–
	(237)	(13)
Total tax expense	15	300
Reconciliation of effective tax rate		
Profit/(loss) before tax	680	(227)
Tax using the Singapore tax rate of 17% (2020: 17%)	116	(39)
Effect of tax rates in foreign jurisdictions	(20)	(14)
Non-deductible expenses	391	446
Tax exempt income	(373)	(348)
Current year losses for which no deferred tax assets is recognised	218	–
(Over)/under-provision in respect of prior years	(317)	255
	15	300

NOTES TO THE FINANCIAL STATEMENTS

26 EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 31 December 2021 was based on the profit/(loss) attributable to ordinary shareholders and a weighted-average number of ordinary shares outstanding less treasury shares as follows:

Profit/(loss) attributable to ordinary shareholders

	Group	
	2021	**2020**
	$'000	**$'000**
Profit/(loss) for the year	674	(526)

Weighted-average number of ordinary shares

	Number of shares 2021 '000	Number of shares 2020 '000
Issued ordinary shares at 1 January	579,873	579,493
Effect of treasury shares	176	380
Weighted-average number of ordinary shares during the year	580,049	579,873

Diluted earnings per share

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

27 OPERATING 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 2021.

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 2021 and 2020.

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 2021

27 OPERATING SEGMENT (CONTINUED)

Information about reportable segment – Mechanical, electrical, instrumentation and others

	2021 $'000	2020 $'000
External revenue	74,646	46,929
Interest income	59	170
Interest expenses	132	67
Depreciation of property, plant and equipment	3,284	3,435
Reportable segment profit/(loss) before tax	890	(257)
Reportable segment assets	82,243	76,275
Capital expenditure	4,196	3,174
Reportable segment liabilities	30,454	23,235

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

	2021 $'000	2020 $'000
Revenues		
Consolidated revenue	74,646	46,929
Profit/(loss)		
Total profit/(loss) for reportable segment	890	(257)
Share of results of an equity-accounted investee	(321)	4
Fair value gain/(loss) on investment properties	65	(20)
Unallocated segment profits	46	46
Consolidated profit/(loss) before tax	680	(227)
Assets		
Total assets for reportable segment	82,243	76,275
Investment properties	1,270	1,205
Investment in an equity-accounted investee	1	244
Right-of-use assets	3,465	2,141
Consolidated total assets	86,979	79,865
Liabilities		
Total liabilities for reportable segment	30,454	23,235
Current tax payable	116	488
Deferred tax liabilities	1,331	1,568
Consolidated total liabilities	31,901	25,291

NOTES TO THE FINANCIAL STATEMENTS

27 OPERATING SEGMENT (CONTINUED)

Major customers

During the financial year ended 31 December 2021, revenue from three major customers of the Group totalled approximately $46,720,000 (2020: $29,555,000), representing 63% (2020: 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:

	2021 $'000	2020 $'000
Customer 1	20,254	16,993
Customer 2	18,293	6,311
Customer 3	8,173	6,251
	46,720	29,555

28 FINANCIAL RISK MANAGEMENT

Overview

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

- credit risk
- liquidity risk
- market risk

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

Risk management framework

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

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

The 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

28 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 $23,667,000 (2020: $13,796,000) of the carrying value of trade receivables and contract assets as at 31 December 2021. 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 has reduced its market concentration risk by diversifying its source of revenue into Taiwan and Malaysia.

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.

Exposure to credit risk

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

	Group	
	2021	2020
	$'000	$'000
Not credit-impaired		
External credit ratings from S&P at least A+	25,035	10,472
Other customers:		
– Four or more years' trading history with the Group	4,614	9,411
– Less than four years' trading history with the Group	3,616	1,786
Total gross carrying value	33,265	21,669
Loss allowance	(1,382)	(29)
	31,883	21,640

NOTES TO THE FINANCIAL STATEMENTS

28 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

Exposure to credit risk (continued)

	Company	
	2021	**2020**
	$'000	**$'000**
Not credit-impaired		
External credit ratings from S&P at least A+	25,035	10,472
Other customers:		
– Four or more years' trading history with the Group	4,614	9,411
– Less than four years' trading history with the Group	2,239	1,320
Total gross carrying value	31,888	21,203
Loss allowance	(29)	(29)
	31,859	21,174

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:

	2021	**2020**
	$'000	**$'000**
Group		
Individual impairments		
At 1 January as per SFRS(I) 9	29	184
Impairment loss recognised	1,353	–
Impairment loss written back	–	(155)
At 31 December as per SFRS(I) 9	1,382	29

On 1 March 2019, the Company and HSSB were jointly awarded a master contract from Petronas. Under this contract award, an equity-accounted investee, HIMS is required to be set up by the Company and HSSB.

These work orders by Petronas were subcontracted by HSSB to HIMS. HIMS had then subcontracted the work orders to PAE(M) for execution. Under this billing on behalf arrangement, the ultimate debtor is HSSB and HIMS is the intermediate debtor.

Since 1 October 2021, HSSB had failed to pay HIMS which caused HIMS not able to pay PAE(M) for the works performed when Petronas had accepted the works completed by PAE(M) and payments had been received by HSSB. Due to the default payment risk, the management had recognised a full impairment loss on the trade receivables and contract assets due from HIMS amounting to $1,353,000.

NOTES TO THE FINANCIAL STATEMENTS

28 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

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.

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

	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	Between 1 and 5 years $'000	Over 5 years $'000
Group					
31 December 2021					
Non-derivative financial liabilities					
Loans and borrowings	5,532	(5,744)	(1,866)	(3,878)	–
Trade and other payables	21,753	(21,753)	(21,753)	–	–
	27,285	(27,497)	(23,619)	(3,878)	–
31 December 2020					
Non-derivative financial liabilities					
Loans and borrowings	6,448	(6,777)	(1,104)	(5,673)	–
Trade and other payables	13,776	(13,776)	(13,776)	–	–
	20,224	(20,553)	(14,880)	(5,673)	–

NOTES TO THE FINANCIAL STATEMENTS

28 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (Continued)

	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	Between 1 and 5 years $'000	Over 5 years $'000
Company					
31 December 2021					
Non-derivative financial liabilities					
Loans and borrowings	5,484	(5,695)	(1,837)	(3,858)	–
Trade and other payables	21,637	(21,637)	(21,637)	–	–
	27,121	(27,332)	(23,474)	(3,858)	–
31 December 2020					
Non-derivative financial liabilities					
Loans and borrowings	6,354	(6,679)	(1,051)	(5,628)	–
Trade and other payables	13,169	(13,169)	(13,169)	–	–
	19,523	(19,848)	(14,220)	(5,628)	–

Market risk

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

Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currency in which these transactions primarily are denominated are the US dollar (USD), Taiwan dollar (TWD) and Malaysia 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
Group			
31 December 2021			
Trade and other receivables	205	11,598	14
Cash and cash equivalents	8,033	1,993	780
Trade and other payables	(88)	(11,546)	(841)
Net exposure	8,150	2,045	(47)
31 December 2020			
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

NOTES TO THE FINANCIAL STATEMENTS

28 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

Currency risk (continued)

	USD $'000	TWD $'000	MYR $'000
Company			
31 December 2021			
Trade and other receivables	206	11,598	–
Cash and cash equivalents	7,875	1,993	–
Trade and other payables	–	(11,546)	–
Net exposure	8,081	2,045	–
31 December 2020			
Trade and other receivables	232	324	–
Cash and cash equivalents	8,924	841	–
Trade and other payables	–	(274)	–
Net exposure	9,156	891	–

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 2020.

	Group Profit or loss $'000	Company Profit or loss $'000
2021		
USD	(815)	(808)
TWD	(205)	(205)
MYR	5	–
2020		
USD	(937)	(916)
TWD	(89)	(89)
MYR	(102)	–

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.

NOTES TO THE FINANCIAL STATEMENTS

28 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

Interest rate risk

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

	Nominal amount	
	2021	**2020**
	$'000	**$'000**
Group		
Fixed rate instruments		
Cash and cash equivalents	15,927	13,113
Bank loans	(4,662)	(5,010)
Lease liabilities	(870)	(1,438)
	10,395	6,665
Company		
Fixed rate instruments		
Cash and cash equivalents	15,520	12,043
Bank loans	(4,662)	(5,010)
Lease liabilities	(822)	(1,344)
	10,036	5,689

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.

NOTES TO THE FINANCIAL STATEMENTS

28 FINANCIAL RISK MANAGEMENT (CONTINUED)

Accounting classifications and fair values

Fair values versus carrying amounts

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

	Note	Amortised cost $'000	Other financial liabilities $'000	Total carrying amount $'000	Fair value $'000
Group					
31 December 2021					
Trade and other receivables*	11	23,314	–	23,314	23,314
Cash and cash equivalents	12	35,077	–	35,077	35,077
		58,391	–	58,391	58,391
Bank loans	17	–	4,662	4,662	4,845
Trade and other payables	20	–	21,753	21,753	21,753
		–	26,415	26,415	26,598
31 December 2020					
Trade and other receivables*	11	12,948	–	12,948	12,948
Cash and cash equivalents	12	37,737	–	37,737	37,737
		50,685	–	50,685	50,685
Bank loans	17	–	5,010	5,010	5,277
Trade and other payables	20	–	13,776	13,776	13,776
		–	18,786	18,786	19,053
Company					
31 December 2021					
Trade and other receivables*	11	24,773	–	24,773	24,773
Cash and cash equivalents	12	31,999	–	31,999	31,999
		56,772	–	56,772	56,772
Bank loans	17	–	4,662	4,662	4,845
Trade and other payables	20	–	21,637	21,637	21,637
		–	26,299	26,299	26,482
31 December 2020					
Trade and other receivables*	11	14,148	–	14,148	14,148
Cash and cash equivalents	12	33,350	–	33,350	33,350
		47,498	–	47,498	47,498
Bank loans	17	–	5,010	5,010	5,277
Trade and other payables	20	–	13,169	13,169	13,169
		–	18,179	18,179	18,446

* *Excludes prepayments.*

NOTES TO THE FINANCIAL STATEMENTS

29 DETERMINATION OF FAIR VALUES

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

(a) Investment properties

The determination of fair value of investment properties is discussed in Note 6.

(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.

(c) Other financial assets and liabilities

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

30 RELATED PARTY TRANSACTIONS

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

Key management personnel compensation

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

Key management personnel compensation included in staff costs comprises:

	Group	
	2021	**2020**
	$'000	**$'000**
Directors' fees	113	125
Short-term employee benefits	1,489	1,346
	1,602	1,471

NOTES TO THE FINANCIAL STATEMENTS

30 RELATED PARTY TRANSACTIONS (CONTINUED)

Other related party transactions

Other than disclosed elsewhere in the financial statements, significant transactions with related parties at terms agreed between the parties are as follows:

	Group	
	2021	2020
	$'000	$'000
Transactions with an equity-accounted investee		
Revenue from contract (rendering of services)	2,090	1,585
Management fees	(94)	(94)

31 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.

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
2021			
Balance at 1 January	2,032	109	2,141
Additions to right-of-use assets	2,161	–	2,161
Depreciation charge for the year	(790)	(47)	(837)
Balance at 31 December	3,403	62	3,465
2020			
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)
Balance at 31 December	2,032	109	2,141

NOTES TO THE FINANCIAL STATEMENTS

31 LEASES (CONTINUED)

Leases as lessee (SFRS(I) 16) (Continued)

Amounts recognised in profit or loss

	2021 $'000	2020 $'000
Leases under SFRS(I) 16		
Interest on lease liabilities	31	29

Amounts recognised in statement of cash flows

Total cash outflow for leases	598	579

Leases as lessor

The Group leases out its investment properties consisting of its owned commercial properties (see Note 6). 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 2021 was $46,000 (2020: $46,000). Note 6 sets out information about the operating leases of investment property.

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

	Group and Company	
	2021 $'000	2020 $'000
Less than one year	46	46

32 CAPITAL COMMITMENTS

On 7 December 2021, the Group entered into a contract to construct a fabrication yard on a leasehold land in Malaysia for $3,000,000. These costs will be incurred in FY2022 and FY2023.

STATISTICS OF SHAREHOLDINGS

As at 18 March 2022

TOTAL NUMBER OF ISSUED SHARES	:	581,546,400
TOTAL NUMBER OF ISSUED SHARES	:	580,612,400
EXCLUDING TREASURY SHARES AND SHARES HELD BY A SUBSIDIARY (IF ANY)		
TOTAL NUMBER AND PERCENTAGE OF TREASURY SHARES	:	934,000 (0.16%)
TOTAL NUMBER AND PERCENTAGE OF SHARES HELD BY A SUBSIDIARY	:	NIL
CLASS OF SHARES	:	ORDINARY
VOTING RIGHTS		
– On a show of hands	:	ONE VOTE FOR EACH MEMBER
– On a poll	:	ONE VOTE FOR EACH ORDINARY SHARE HELD

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	190	13.89	2,395	0.00
100 – 1,000	189	13.82	176,451	0.03
1,001 – 10,000	256	18.71	1,576,750	0.27
10,001 – 1,000,000	708	51.75	80,399,868	13.85
1,000,001 AND ABOVE	25	1.83	498,456,936	85.85
TOTAL	**1,368**	**100.00**	**580,612,400**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CHENG WOEI FEN	278,997,600	48.05
2	QUEK KIAN HUI (GUO JIANHUI)	86,376,800	14.88
3	GABRIEL QUEK KIAN TECK	33,516,000	5.77
4	PHILLIP SECURITIES PTE LTD	18,616,080	3.21
5	DBS NOMINEES (PRIVATE) LIMITED	10,850,446	1.87
6	OCBC SECURITIES PRIVATE LIMITED	8,484,900	1.46
7	UOB KAY HIAN PRIVATE LIMITED	7,639,000	1.32
8	LIN YAN	7,266,000	1.25
9	GLOBAL TRADE INVESTMENT MANAGEMENT PTE LTD	7,095,000	1.22
10	SINGAPORE WAREHOUSE CO PTE LTD	5,454,300	0.94
11	ABN AMRO CLEARING BANK N.V.	4,333,300	0.75
12	NG HIAN CHOW	3,888,000	0.67
13	RAFFLES NOMINEES (PTE) LIMITED	3,599,500	0.62
14	QUEK KENG SIONG	2,651,400	0.46
15	LIM POON KHENG EUGENE	2,400,000	0.41
16	KOH SER KIONG	2,240,000	0.39
17	MAYBANK SECURITIES PTE. LTD.	2,010,010	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
	TOTAL	**491,088,336**	**84.59**

STATISTICS OF SHAREHOLDINGS

As at 18 March 2022

RULE 723 COMPLIANCE

Based on the information available to the Company as at 18 March 2022, approximately 29.2% 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	48.05%	36,167,400	6.23%
GABRIEL QUEK KIAN TECK	33,516,000	5.77%	0	0
QUEK KIAN HUI	86,376,800	14.88%	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 2022, the Company held 934,000 treasury shares, representing 0.16% 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, 22 April 2022 at 2:00 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 2021, 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) Quek Kian Hui *(Regulation 108)* **[Resolution 2]**
[See Explanatory Note 1]

ii) Mah Kai Leong *(Regulation 108)* **[Resolution 3]**
[See Explanatory Note 2]

3. To declare a first and final dividend of 0.04 cents per ordinary share and a special dividend of 0.02 cents per ordinary share tax-exempt (one-tier) for the financial year ended 31 December 2021. **[Resolution 4]**

4. To approve the payment of Directors' fees of up to S$116,000 for the financial year ending 31 December 2022 to be payable quarterly in arrears (2021: S$113,000). **[Resolution 5]**

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

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

SPECIAL BUSINESSES

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

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

"That, pursuant to Section 161 of the Companies Act 1967 ("**Companies Act**") and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") 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

NOTICE OF ANNUAL GENERAL MEETING

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

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued on a pro-rata basis pursuant to this Resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation and adjustment as may be prescribed by the 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 3]

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

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

NOTICE OF ANNUAL GENERAL MEETING

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

"That

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

(ii) the Directors of the Company and/or any of them be and is hereby authorised to complete and do all such acts and things (including dealing with the shares purchased by the Company, entering into all transactions, arrangements and agreements and executing such documents as may be required) as they and/or he may consider necessary, desirable or expedient to give effect to this Resolution.
[See Explanatory Note 5]

By Order of the Board

Shirley Tan Sey Liy
Company Secretary
Singapore, 7 April 2022

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

1. **Quek Kian Hui**, if re-elected, will remain as the Executive Deputy Chairman. Please refer to page 24 of the Corporate Governance in the Annual Report 2021 for the detailed information as required pursuant to Rule 720(6) of the Listing Manual of SGX-ST.

2. **Mah Kai Leong**, if re-elected, will be considered a 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 Remuneration Committee and a member of the Audit and the Nominating Committees respectively. There are no relationships (including immediate family relationships) between Mah Kai Leong 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 25 of the Corporate Governance in the Annual Report 2021 for the detailed information as required pursuant to Rule 720(6) of the Listing Manual of SGX-ST.

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

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

4. **Resolution 8**, if passed, will empower the Directors of the Company, from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the vesting of performance shares granted or to be granted pursuant to the MSE Performance Share Plan, up to an aggregate (together with any other share option schemes/share-based incentive schemes of the Company) not exceeding in total 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company from time to time.

5. **Resolution 9** is to renew the mandate to enable the Directors of the Company to purchase or otherwise acquire shares on the terms and subject to the conditions of this Resolution which was first approved by the shareholders on 20 April 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 2021 are set out in greater detail in the Addendum dispatched together with the Annual Report 2021.

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 (Chairlady) of the AGM in advance of the AGM, addressing of substantial and relevant questions prior to the AGM and voting by appointing the Chairman (Chairlady) of the AGM as proxy at the AGM, are set out in the accompanying Company's announcement dated 7 April 2022. 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 **2:00 p.m. on 19 April 2022** 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 21 April 2022**. Members who do not receive a confirmation email by **5.00 p.m. on 21 April 2022**, but have registered by the 19 April 2022 deadline, should email the Company for assistance at 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 **2:00 p.m. on 14 April 2022**:*

(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.

NOTICE OF ANNUAL GENERAL MEETING

*This is to allow Company to have sufficient time to address all substantial and relevant submitted questions. The Company will respond to these questions and published it on the (i) SGX's website and (ii) the Company's corporate website **on or before the 17 April 2022** (forty-eight (48) hours prior to the closing date and time for the lodgement of the proxy forms). The Company has also adopted an interactive platform for the AGM and shareholders are allowed to ask questions during the AGM itself. 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 (Chairlady) of the AGM as his/her/its proxy to 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 (Chairlady) 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 (Chairlady) 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 (Chairlady) 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 **2.00 p.m. on 11 April 2022**, at least 7 working days before the AGM.*

(8) *The Chairman (Chairlady) of the AGM, as proxy, need not be a member of the Company.*

(9) *The instrument appointing the Chairman (Chairlady) 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*

*in each case, by **2:00 p.m. on 19 April 2022**, being no later than 72 hours before the time fixed for the AGM.*

(10) *The Company's Annual Report 2021 dated 7 April 2022 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 2021" 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 (Chairlady) 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 audio-visual webcast or audio-only stream, or (c) submitting any question 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 and administration and analysis by the Company (or its agents or service providers) of the instruments appointing the Chairman (Chairlady) 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 audio-visual webcast or audio-only stream 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 of 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 purpose.

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 (Chairlady) of the Meeting to vote on his/her/its behalf. A member (whether individual or corporate) appointing the Chairman (Chairlady) 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 (Chairlady) 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 2.00 p.m. on 11 April 2022, 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 (Chairlady) 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, 22 April 2022 at 2:00 p.m., and at any adjournment thereof.

*I/We have directed the Chairman (Chairlady) 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 (Chairlady) 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 (Chairlady) 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 2021 together with the Auditors' report thereon.			
2.	Re-election of Quek Kian Hui as a Director of the Company			
3.	Re-election of Mah Kai Leong as a Director of the Company			
4.	First and Final, and Special Dividends			
5.	Approval of Directors' fees for financial year ending 31 December 2022			
6.	Re-appointment of Messrs KPMG LLP as Auditors			
7.	Authority to allot and issue shares and convertible securities			
8.	Proposed renewal of the authority to issue shares under the MSE Performance Share Plan			
9.	Proposed renewal of the Share Purchase Mandate			

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

Dated this __________ day of ______________ 2022

Total Number of Shares Held

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

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Notes:

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 (Chairlady) 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 2001), 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 (Chairlady) of the Meeting to act as proxy and direct the vote at the Meeting.

3. Pursuant to Section 181 of the Companies Act 1967, 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 (Chairlady) 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 1970 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 2001 and holds shares in that capacity; or*

   (iii) *the Central Provident Fund ("**CPF**") Board established by the Central Provident Fund Act 1963, in respect of shares purchased on behalf of CPF investors.*

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Affix postage stamp here

MUN SIONG ENGINEERING LIMITED

35 TUAS ROAD
JURONG TOWN
SINGAPORE 638496

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4. The instrument appointing the Chairman (Chairlady) 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 not less than seventy-two (72) hours before the time appointed for the Meeting.

5. The instrument appointing the Chairman (Chairlady) of the Meeting as proxy must be under the hand of the appointer 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 (Chairlady) 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 1967.

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 (Chairlady) 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 7 April 2022.

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

Lim Poon Kheng, Eugene
Group Finance Director

Teo Kheng Hock, Andy
Director, Specialised Services

Lin Yan
Director, Electrical and Instrumental Services

John L. Parkinson
Director, Engineering and Technical Services

Narayanan Parthasarathy
Director, Turnaround and Mechanical Services

Zam Suan Kim
Director, Corporate Services

Shan YiJian
Senior Manager, Project Works

Philip Thomas Baiju
Senior Manager, Tankage and Mechanical Services

COMPANY SECRETARY

Shirley Tay Sey Liy

REGISTERED OFFICE

35 Tuas Road, Jurong Town
Singapore 638496

SHARE AND WARRANT REGISTRAR

Boardroom Corporate & Advisory Services Pte Ltd
1 Harbour Front Avenue
Keppel Bay Tower #14-07
Singapore 098632

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)

MUN SIONG ENGINEERING LIMITED

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Singapore 638496
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