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MUN SIONG ENGINEERING LIMITED



# LAYING THE FOUNDATION FOR SUSTAINABLE GROWTH

ANNUAL REPORT 2023

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## Our Philosophy

Our belief remains the same since our founding time - deliver the best timely and safe competitive solutions. We believe that credibility is the essence of every business. Thus, we strive to fulfill our clients' requirements, while adapting ourselves in different circumstances to deliver the best at all times.

## Our Vision

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

## Our Mission

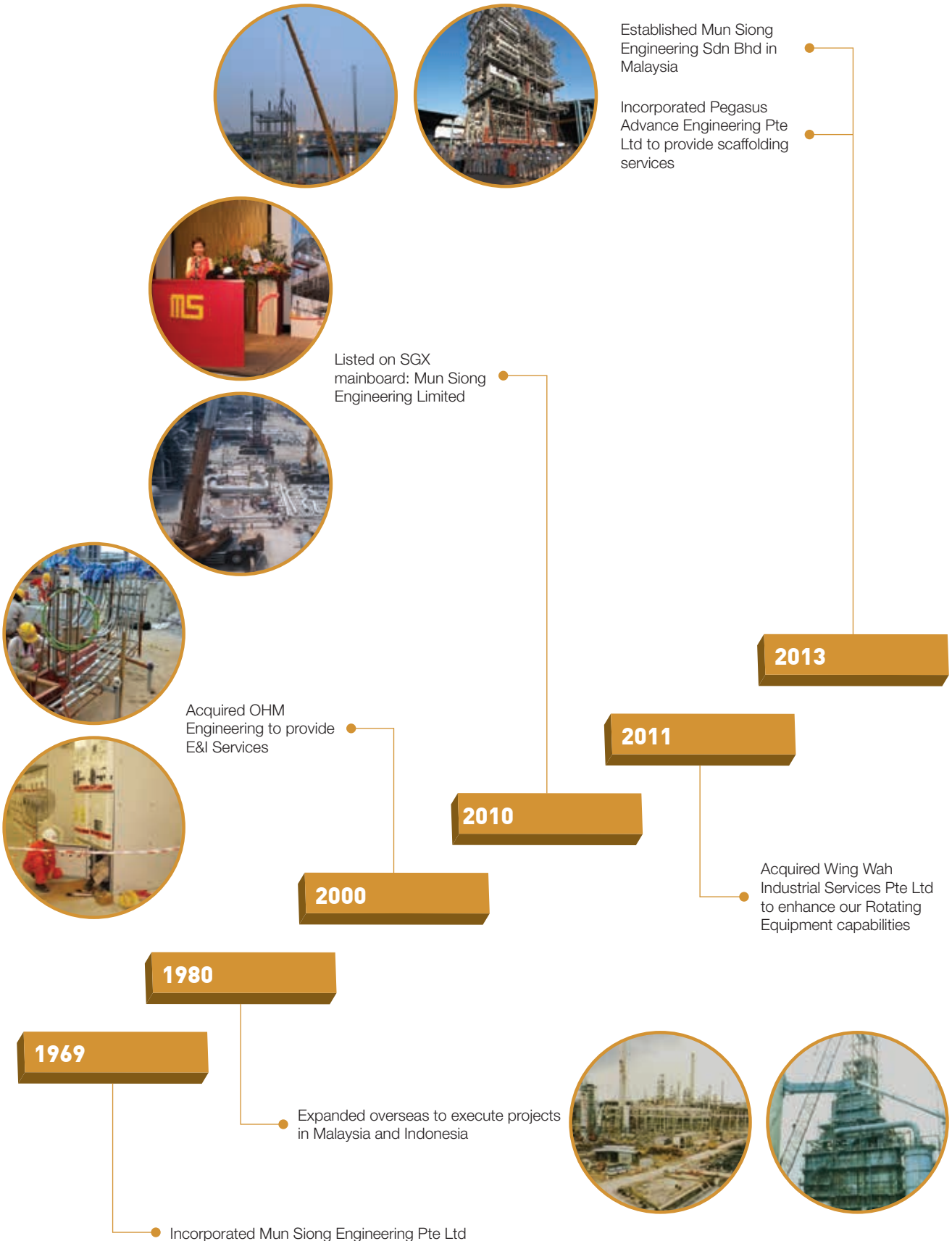
We dedicate ourselves to be the preferred service provider that thrives on cutting edge Technology, Safety, Quality and Competitive Solutions to achieve customer satisfaction.

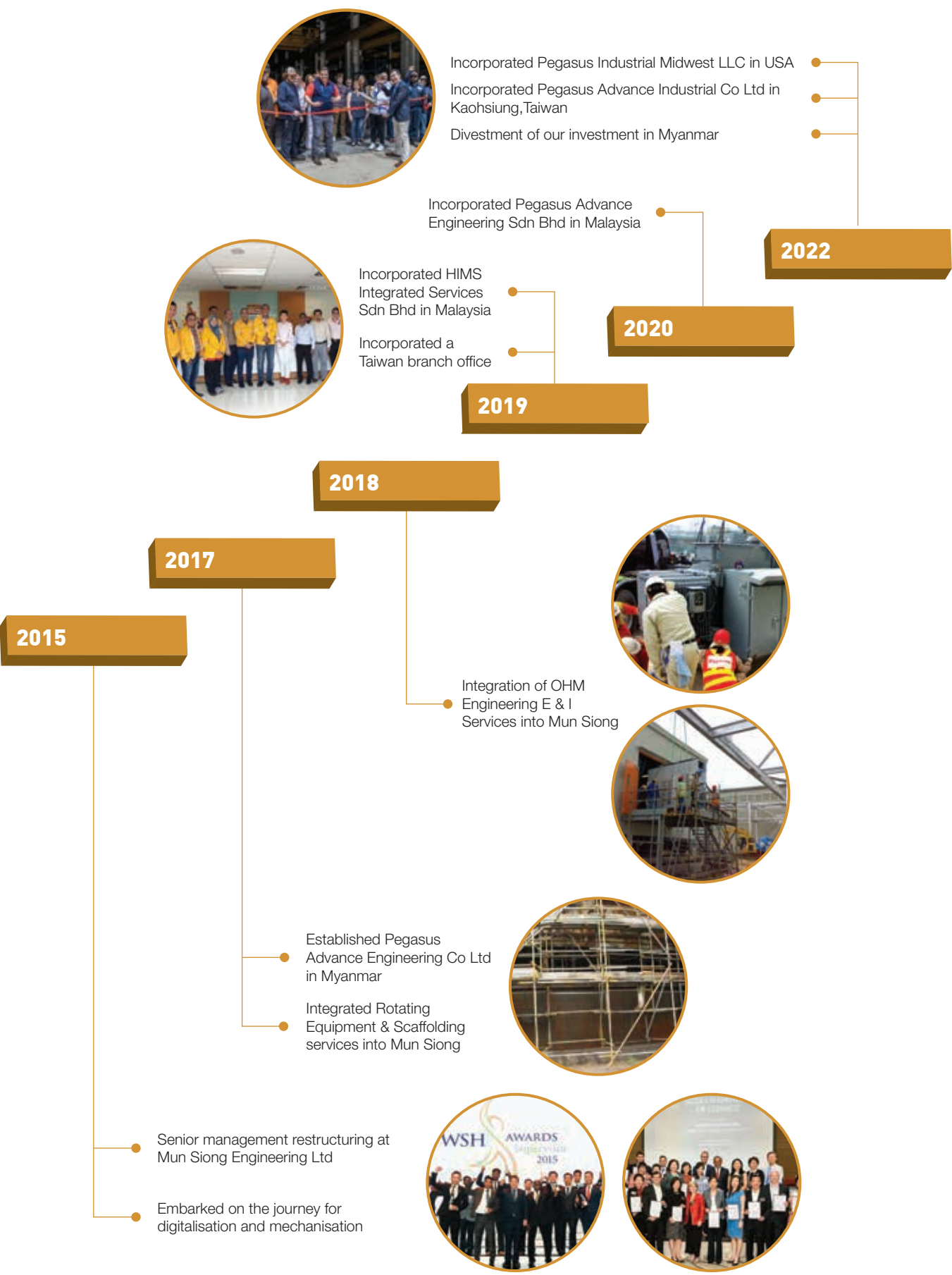
## CORPORATE PROFILE

Mun Siong Engineering Limited is established in 1969 and has more than 55 years of strong industrial leadership. Our Group of Companies provides integrated Turnkey Mechanical services, Plant Maintenance, and highly efficient specialised in-house services, experienced in combining multi-layer technical competencies with an unyielding dedication to safety, efficiency, quality, and environment responsibility. We are one of the leading construction and integrated maintenance solutions provider in Asia and USA. Our Group of Companies offer an extensive range of mechanical and electrical & instrumentation services for oil & gas, petrochemical, energy, chemicals, and power generation industries. We provide a one-stop solution for all our clients with regards to engineering, procurement, fabrication, construction, and maintenance services for process plants, as well as niche specialised products and solutions.

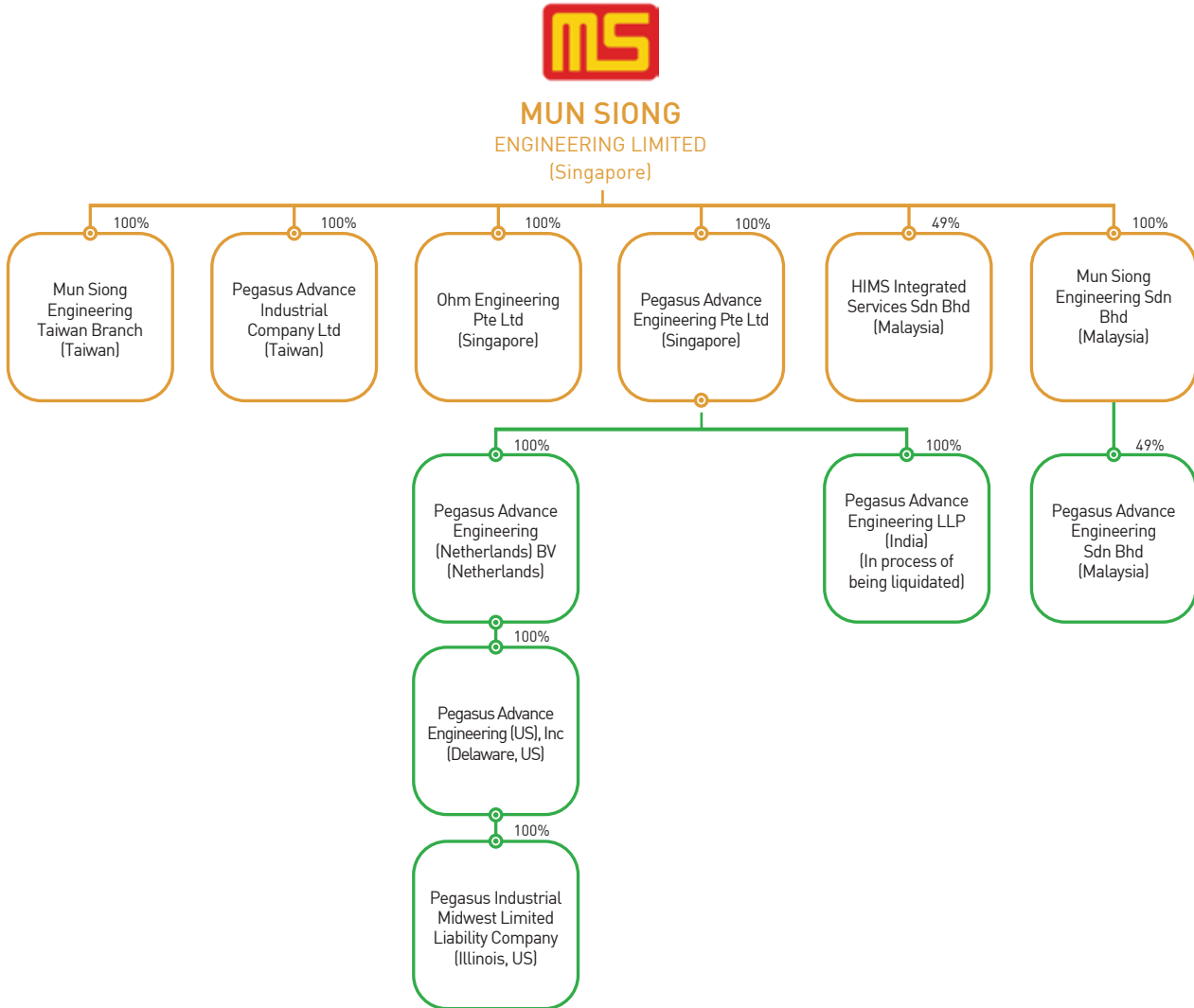


# CORPORATE ROADMAP





# CORPORATE STRUCTURE

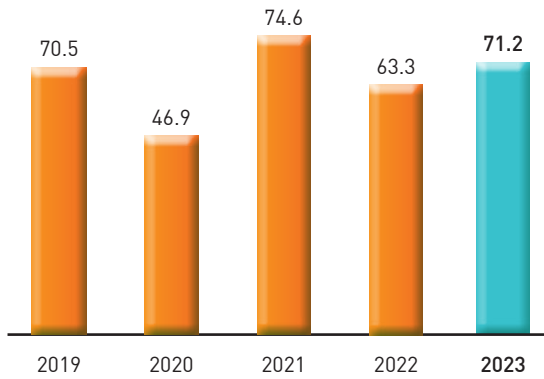


## OUR INTEGRATED SERVICES

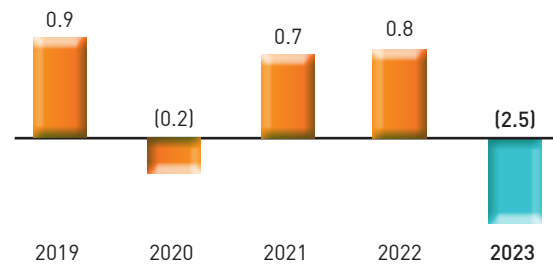
- Engineering and Design Consulting
- Fabrication and Erection of Steel Structures; Fixed Equipment and Piping work
- Plant Shut-down/Turnaround Management
- Design, Construction & Maintenance of Storage Tanks
- Heat Exchanger Re-tubing, Repair, Modification and New Built
- Tube Shooting Services for Heat Exchangers (Conco Systems)
- On-site Flange Re-facing Services
- Ultra-high Pressure Abrasives Water-jet Cutting Services
- Mechanical De-coking of Furnace & Heaters
- Anti-Corrosion and Low Surface Energy Coatings (Curran International)
- Supply and Repair of Mechanical Seals and Systems (STB GmbH)
- Removal, Servicing, Repairing, Overhauling and Installation of Rotating Equipment
- Dynamic Balancing Services
- Design, Fabrication and Assembly of Equipment Packages
- Scaffolding, Insulation and Painting Services
- Trenchless Pipeline Rehabilitation (Primus Line)
- Anti-Corrosion ThermoPlastic Coatings (Oxifree)
- Heat Exchanger & Pressure Vessel Design and Fabrication
- Ultrasonic Cleaning Services
- Internal Tube Grit Blasting and Internal Tube Coating Services
- Authorised Maintenance Provider for Waterous Brand Pumps (Waterous)
- Transformers, Switchgears and Control Panel Installation and Maintenance
- Integrated Design and Installation/ Construction of Instrumentation and Control Systems – Installation of Distribution Control System & PLC Solutions – Loop Check, Testing and Pre-Commissioning
- Design and Fabrication of Instrumentation and Control Systems
- Installation of Distribution Control System & PLC Solutions

## GROUP FINANCIAL HIGHLIGHTS

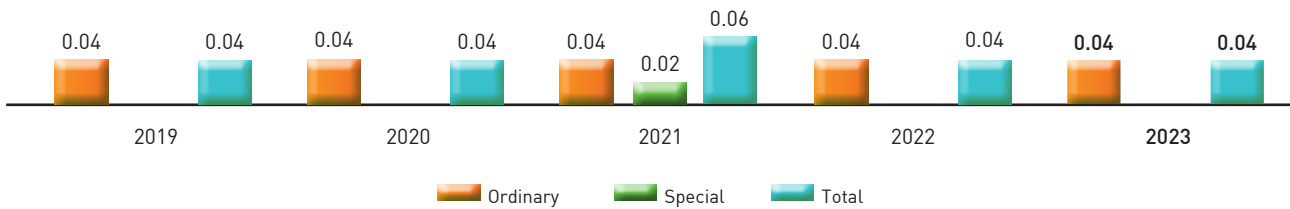
### GROUP REVENUE S\$ (M)



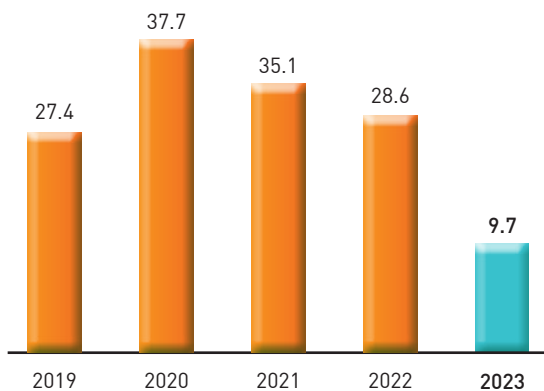
### GROUP PROFIT / (LOSS) BEFORE TAX S\$ (M)



### DIVIDEND RATE PER SHARE (CENTS)



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



### FINANCIAL CALENDAR FOR 2024/2025

28 February 2024	Announcement of FY2023 Results
25 April 2024	AGM for FY2023
8 August 2024 (tentative)	Announcement of half yearly results 2024
28 February 2025 (tentative)	Announcement of FY2024 Results

## JOINT MESSAGE FROM EXECUTIVE CHAIRLADY AND DEPUTY CHAIRMAN

### Dear Shareholders, Business Partners, and Colleagues

FY2023 has been a challenging but crucial year for Mun Siong Group. We laid the foundations for our future growth and strove to be successful while we continue to navigate the complexities of a rapidly changing global landscape. Faced with macroeconomic challenges, many companies (including us) are affected by the plethora of challenges from all over the world, causing a significant impact on business prospects and financial performance.

We are pleased to share with you our FY2023 progress, achievements, and challenges that we have gone through. We understand the importance of expanding and diversification our business overseas, and at the same time being financially prudent. Our workforce transformation strategy has placed us in a better position to capitalize on emerging opportunities while mitigating risks.

In the following paragraphs, we will highlight our key accomplishments and strategic initiatives. We will also provide an update on how we are progressively working towards overcoming or mitigating topics concerning our financial performance, our leadership team and succession planning, while providing continued stewardship towards corporate governance as a trusted business partner and a flexible and supportive employer.

#### *Expansion and Diversification:*

#### Singapore

Within our home market of Singapore, we have transitioned into our new headquarters and taken the opportunity to overhaul our current work processes. Our various operating units in Singapore are now integrated with a Central Planning Department. The Central Planning Department has been set up to plan and increase efficiencies, reduce wastages (unproductive or idle time of our resources), and improve communications among all the operating departments. This will allow us to remain nimble and effective even when we are facing increasingly tighter regulatory conditions on labour requirements.



*(Our HQ at 26 Gul Way, Singapore)*



*(Our grand opening at 26 Gul Way in January 2024)*

The decision we made in 2018 to expand beyond Singapore has proven to be prudent (significant concentration risk – dependence on a small market with few major business partners). Since then, we have gradually overcome numerous challenges, and accumulated market intelligence (despite steep learning curves) to gain foothold(s) in the markets of Taiwan, Malaysia, and North America. Expansion into these markets have allowed us to streamline and optimize our supply chains, while also allowing us to capitalize on talents across these countries we operate in.

#### Taiwan

Despite the setback of a 3-year suspension (beginning December 2022) from a major government linked business partner in Taiwan, we remain committed to this market. Our wholly owned subsidiary Pegasus Advance Industrial Company ("PAI"), which is not affected by this suspension, continues to seek opportunities in this market. However, due to its short operating history and no cumulative relevant track records, PAI can only undertake small dollar value jobs for the time being. To align with the current business needs, it has on 1st January 2024 relocated to a new lease office cum yard in Ren Wu district, Kaohsiung, Taiwan.



*(Our grand opening in our new office and workshop Renwu, Kaohsiung Taiwan in February 2024)*

#### Malaysia

Our Malaysia's operations revenue has risen steadily since 2021 and in FY2023, it made noticeable contributions to both revenue and gross profit. In addition, PRefChem, a Petronas and Aramco associated entity, has extended the Master Service Agreement with HIMS Integrated Services Sdn Bhd ("HIMS") [MSE Group has a 49% equity interest in it], for another 3 years ending 14 March 2027. HIMS is the contract holder for this agreement. The extension is a positive sign that PRefchem is satisfied with our quality level of work provided by our Malaysia operations – work executed by Pegasus Advance Engineering Sdn Bhd ("PAE(M)").



# JOINT MESSAGE FROM EXECUTIVE CHAIRLADY AND DEPUTY CHAIRMAN

PAE (M) has also in Q42023 moved into its newly constructed 141,077 sq. ft facilities in Bandar Penawar, which will serve as a fabrication hub for both the Singapore and Malaysia markets. This will allow the Group to capitalize on lower costs and to better serve our clients in the South East Asia regions.

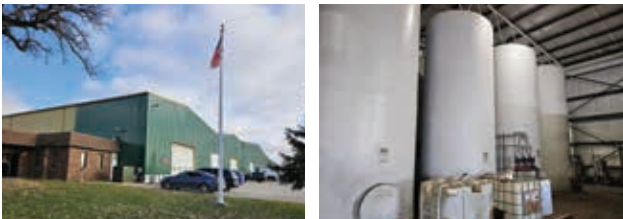


*(Our newly constructed fabrication facility in Pengerang, Johore, Malaysia)*

### North America

Our wholly owned subsidiary in the US, Pegasus Industrial Midwest LLC ("PIM"), has been making headway in FY2023. Since acquiring the 60,000 sq. ft freehold property workshop in 2022, we have transformed it into a state-of-the-art heat exchanger facility. In addition, our workshop has facilities for hydro blasting, ultrasonic cleaning, CNC cutting and machining, as well as pressure vessel fabrication. The workshop is also equipped with a sophisticated water recycling system, which allows the cleaning operations to greatly reduce their water consumption compared to traditional means. This is one of our sustainability initiatives.

PIM has also spent the past year increasing awareness in the North America region and has been qualified by eleven clients. The level of engagement of these eleven clients and also new customers are steadily increasing. Our efforts from FY2023 have begun to bear fruit in the coming year, as we have secured a mid-sized turnaround cleaning contract with a nearby refinery with a refining capacity of approximately 270,000 bbl/day. It is a good start for PIM and we are very confident of the long-term viability of the US Midwestern market.



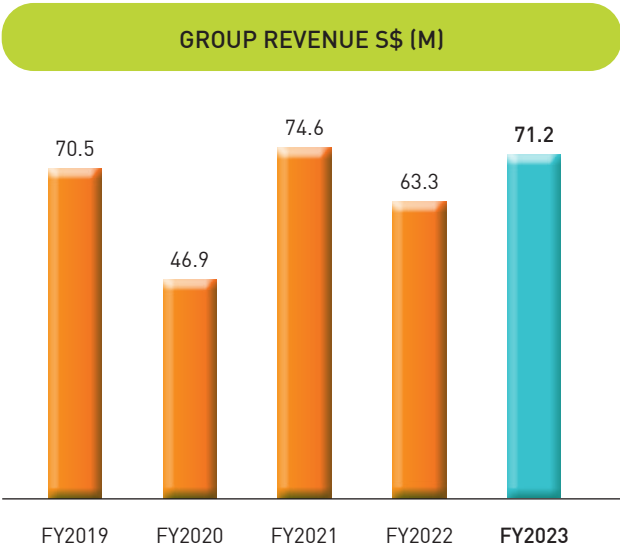
*(Our workshop in Bourbonnais, Illinois State, North America)*



*(Our interior view of our workshop)*

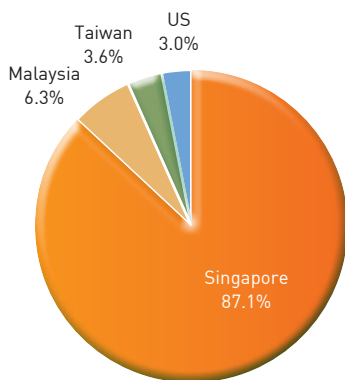
### Financial Performance and Shareholder's Funds:

In FY2023, we registered a revenue of S\$71.2 million against a revenue of S\$63.3 million in FY2022. This is an improvement of S\$7.9 million or 12.5%, with Singapore operations contributing significantly to this increase. Our gross profits and margin have declined in FY2023, with gross profits and margin for FY2023 at S\$4.2 million and 5.9% respectively, as compared to S\$6.5 million and 10.3% respectively for FY2022. Consequently, we suffered a net loss before tax of S\$2.5 million for FY2023, as compared to a net profit before tax of S\$0.8 million in FY2022. Both Taiwan and USA's operations contributed to the operating losses in FY2023.

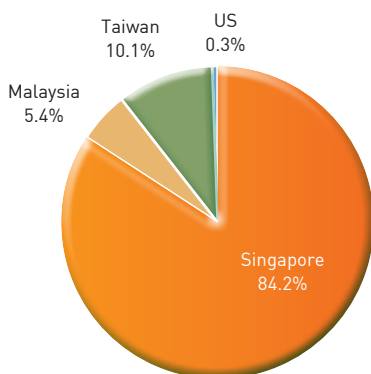


## JOINT MESSAGE FROM EXECUTIVE CHAIRLADY AND DEPUTY CHAIRMAN

Revenue by Countries FY2023



Revenue by Countries FY2022

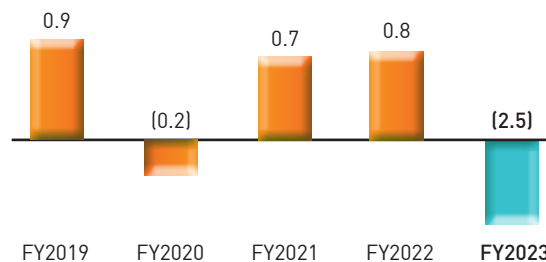


Pegasus Industrial Midwest (“PIM”) commenced its operations in Q22023. PIM has been focusing on marketing and working towards qualifying as an approved supplier. Arising from the latter, work orders were small and on an ad hoc basis. Revenue from existing work orders cannot cover its fixed overhead costs, causing the operations to be in a loss position for FY2023.

For Taiwan operations, revenue contribution declined from 10.1% (2022) to 3.6% (2023) as it was doing small dollar value projects during the year. No high dollar value projects due to suspension of the Branch Office and PAI not eligible to tender due to its short operating history. It registered net loss in FY2023.

Both Singapore and Malaysia operations will continue to see opportunities for further work orders. However, in both operations, pricing would be a key consideration when accepting future work orders. In Singapore, a few of our term maintenance contracts will be due for renewal in FY2026. Due to recent steep increases in operating cost, especially manpower and its related costs, pricing will dominate these negotiations. Malaysia operations have seen a steady increase in revenue. In FY2023 it has made a noticeable contribution to the group’s revenue and gross profit.

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



As at 31 December 2023, our shareholder’s funds stood at S\$52.0 million (or net tangible assets per share of 8.96 cents) compared to S\$55.1 million as at 31 December 2022 (or net tangible assets per share of 9.49 cents). The decrease was mainly attributed to the operating losses in 2023.

### Liquidity:

Due to capital commitments over the past two financial years, amounting to S\$24.3 million, the net working capital deteriorated S\$17.5 million from S\$36.7 million in FY2022 to S\$19.2 million in FY2023. Cashflows generated from operations turned from positive of S\$2.0 million in FY2022 to negative S\$2.6 million in FY2023. This resulted in the deterioration in cash and cash balances from S\$28.6 million in FY2022 to S\$9.7 million in FY2023. The operations in Malaysia and USA, without a corporate guarantee from the Company were unable to obtain credit facilities from local banks, despite being sufficiently capitalized. Their working capital is supported by the Company through intercompany loans.

Trade receivables turnover days in FY2023 and FY2022 were 101 days and 69 days respectively. The increase in number of days in FY2023 was due to a single business partner and the amount has been fully received in January 2024. Excluding this case, the number of days was 81 days in FY2023 and 69 days in FY2022. As at 29 February 2024, 89.0% or S\$17.5 million (year-end closing balance was S\$19.6 million) of trade receivables were realized.

Non-current liabilities at the close of the financial year for FY2023 was S\$4.1 million and for FY2022 was S\$5.4 million, of which loans and borrowings (including lease liabilities and unsecured loans) constituted 60.4% in FY2023 (S\$2.5 million) and 49.2% in FY2022 (S\$2.6 million). In FY2023, lease liabilities (S\$1.5 million) arose due to the new premises at 26 Gul Way and the new yard leased by the Taiwan operations, and the balance unsecured bank loans – temporary bridging loan (S\$0.9 million). Gross debt to shareholder’s funds ratio was 7.4% (30 June 2023: 14.3% and 31 December 2022: 8.0%).

# JOINT MESSAGE FROM EXECUTIVE CHAIRLADY AND DEPUTY CHAIRMAN

## *Interest Rates and Geopolitical Tensions:*

Major central banks have kept key interest rates unchanged. With both political pressure and a rising cost of living, there is strong pressure on central bankers to hold off any further upwards revision in key interest rates. Although inflationary pressure has eased off from its peak, it has not returned to the level that central bankers would be comfortable with. Towards the end of 2023, conflicts in the Middle East have threatened shipping lanes that support trades between Europe and the Indian continent and Asia (including China). Together with geopolitical tensions, our business partners' capital expenditures and investment decision may take "a wait and see" attitude. This will result in deferment or cancellation of projects or scheduled investments. We will continue to closely scrutinize all our capital commitments and defer them if necessary.

## *Succession and Strengthening the Management Team:*

Quek Kian Hui (the Executive Deputy Chairman), who joined the Company in 2014, has an active management role in the Group businesses, including spearheading the setting up of our North America operations. He now chairs the Executive Committee while the Executive Chairlady takes on an advisory role. Cheng Woei Fen will continue to formulate strategies and lead the Board. Quek Kian Hui has been appointed the Group Chief Executive Officer on 8 April 2024.

We have reorganized the Executive Committee and adopted fresh ideas and practices initiated by our Group Chief Operating Officer – Sean Safavinejad, who joined us in March 2023. We are pleased with the positive outcome. The Group Finance Director will also be redesignated as the Group Chief Financial Officer (effective 8 April 2024) to reflect the Group's geographical reach.

## *Direct Employed Workforce:*

We have continued to improve the way we manage our workforce's safety and well-being while influencing their mindset. While we were undergoing the workforce transformation exercise in FY2023, our safety committee was working together with the leadership team to improve on the work crew's safety awareness. We promote a transparent safety culture, where everyone is encouraged to report safety near misses, such that lessons from these near misses can be shared with other team members and everybody learns from it, benefiting the safety culture of the entire Company/Group. There were no major safety incidents reported during FY2023.

The workforce transformation that we started more than a year ago, has been effective. We have been providing continuous training and skills upgrading of our work crew, to ensure they are adequately trained and competent to handle additional responsibilities as well as utilize mechanized tools that deliver higher efficiencies and productivities at work. We are pleased to note that our work crew is now more motivated and willing to enlarge and deepen their skill sets, while adopting a positive attitude to take on greater job responsibilities.

We have also centralized our resources allocation to manage and utilize them efficiently. These initiatives have helped us to reduce the impact caused by the unfavorable business climate, such as the new dependency ratio imposed by the Singapore Government of 1 local employee to 5 foreign workers that has come into effect on 1 January 2024.

## **Dividends**

The continual reinvestment of our financial resources into the business ensures our long-term viability. It also allows flexibility in supporting our business strategies.

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

The Board of Directors notes the importance of dividends as a major source of return to shareholders. For FY2023, the Board of Directors will be recommending to shareholders, for their approval at the upcoming Annual General Meeting, a first and final tax exempt (one-tier) dividend of 0.04 cents per share. As the Group has suffered a net loss in FY2023, the dividends (when approved by shareholders) will be paid from retained earnings (accumulated profits). This is unlike previous financial years where dividends were paid from profits generated during the financial year.

## **Sustainability**

The Group recognized embracing sustainable practices as a business priority. Our sustainability report will be available from 18th April 2024. Please refer to our website at [www.mun-siong.com](http://www.mun-siong.com).

## **Appreciation**

Mr Seah Hai Yang joined the Board of Directors in February 2024. Mr Seah brings with him more than 20 years of accounting and finance experience. He was also the previous Chief Financial Officer of the Company for the period 2013 to 2017. We believe Mr Seah will contribute positively towards the Group.

Ms Sharon Lim Siew Choo is appointed as the new Company Secretary, taking over from Ms Shirely Tan Sey Liy who resigned in November 2023. We would like to thank Ms Shirely Tan for her contributions.

We would also like to express our appreciation to our Board of Directors, business partners, suppliers and other stakeholders – for your unwavering support and contributions, without which all of our efforts would have been futile. It is because of your belief in Mun Siong that we have every reason to be positive and persevere.

**Cheng Woei Fen**  
Executive Chairlady

**Quek Kian Hui**  
Deputy Executive Chairman

## BOARD OF DIRECTORS' PROFILE

### **CHENG WOEI FEN**

*Executive Chairlady ("Chairlady")*

Madam Cheng was first appointed to the Board on 31 October 1981. She was last re-elected as a director on 21 April 2023.

She is responsible for charting the MSE Group roadmap, corporate direction as well as positioning and developing the Group business strategies. She is also the key contact to all our business and joint venture partners. She is currently the adviser to the Executive Committee.

Madam Cheng holds a degree in Business Administration from the then Singapore University. She is a pioneer member of the SGX Diversity Action Committee, and Council member of the Process Construction and Maintenance Productivity Committee.

### **QUEK KIAN HUI**

*Executive Deputy Chairman And Group Chief Executive Officer*

Mr Quek was first appointed to the Board on 16 June 2014. He served as an Executive Director before being designated as the Executive Deputy Chairman on 25th February 2021. He was last re-elected as a director on 22 April 2022. He is currently the Chairman of the Executive Committee. He was also appointed as the Group Chief Executive Officer on 8 April 2024.

He brings to the Board business opportunities, knowledge and exposure in helping the company to expand its market presence outside of Singapore. He is instrumental in the setting up of the Group's US operations.

Prior to joining Mun Siong Engineering, Mr Quek was involved in major projects for Chiyoda Singapore (Pte) Ltd.

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

### **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 21 April 2023. He is the Chairman of the Audit Committee and is a member of both the Nominating Committee and the Remuneration Committee.

He has over 30 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. He is also the non-executive independent directors of International Cement Group Ltd and Hock Lian Seng Holdings Limited.

Mr Tan holds a Master of Commerce (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.

## BOARD OF DIRECTORS' PROFILE

### MAH KAI LEONG

*Non-Executive Independent Director*

Mr Mah was first appointed on 4 March 2020 and last re-elected on 22 April 2022. 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. He 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 (Mechanical) from the University of Western Australia.

### ELAINE BEH PUR-LIN

*Non-Executive Independent Director*

Ms Beh was first appointed on 25 April 2022 and last re-elected on 21 April 2023. She is the Chairlady of the Nominating Committee and a member of both the Audit Committee and the Remuneration Committee.

Ms Beh has been a lawyer for more than 30 years, and she has substantial experience in mergers and acquisitions and capital markets transactions. She is currently a consultant with RHT Law Asia LLP. She is on the board of Abilities Beyond Limitations and Expectations and SISTIC.com Pte Ltd, and is a non-executive independent director of Audience Analytics Limited. She also serves as a committee member of the Yellow Ribbon Fund.

Ms Beh holds a Bachelor of Law (Honors) degree from National University of Singapore. She is an advocate and solicitor of the Supreme Court of Singapore and a member of the Law Society of Singapore and the Singapore Institute of Directors.

### SEAH HAI YANG

*Non-Executive Independent Director*

Mr Seah was appointed on 1 February 2024. He is currently a member of the Audit Committee, Nominating Committee and Remuneration Committee.

Mr Seah is both a founder and director of a consultancy company which provides accounting consultancy and corporate secretarial support services. Prior to establishing his own company, he held senior appointments in accounting and finance with private and public companies in various industries. He was the Chief Financial Officer of the Company between 2013 to 2017. He was also the non-executive independent director of Asiatic Group Holdings Limited for the period 2007 to 2018. He is currently the non-executive independent director of Jumbo Group Limited.

Mr Seah graduated from the National University of Singapore with an Accountancy Degree and is a Fellow of the Institute of Singapore Chartered Accountants. He is also a member of the Singapore Institute of Directors and had acted as the Company Secretary for several public listed companies in the SGX-ST.

## CORPORATE LEADERSHIP – TEAM MEMBERS

### **SEAN SAFAVINEJAD**

*Group Chief Operating Officer*

Sean was appointed as the Group Chief Operating Officer on 13 March 2023. He is responsible for the management of the overall operations of the Group, including resource management, planning, execution, budgeting and control. He is also spearheading continuous improvement and productivity initiatives within the Group.

He brings more than 15 years of operational and management experience to the Group from his time with ExxonMobil Corporation, US (“ExxonMobil”), holding various appointments including as an Engineering Services Department Head, Business Operations Manager, and as a Mechanical Engineering Group Leader.

He holds a Master of Science in Electrical Engineering from the University of Illinois at Urbana-Champaign (USA) as well as a Master of Business Administration from the University of Chicago Booth School of Business (USA).

### **EUGENE LIM POON KHENG**

*Group Chief Financial Officer*

Eugene was appointed as our Group Finance Director on 2 July 2018. He was re-designated as the Group Chief Financial Officer on the 8 April 2024. He is responsible for overseeing the Group’s corporate finance activities, investor relations and all aspects of the treasury, financial and accounting functions.

He has over 20 years in accounting, financial and corporate matters and have worked in various SGX listed organizations.

He graduated with a Bachelor of Commerce degree from University of Queensland, Australia and is a Fellow of Certified Practising Accountant (“CPA”) Australia.

# 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 related companies (subsidiaries and associated companies) (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 on 6 August 2018 and it was further revised on 11 January 2023 (the “**2018 Code**”). The accompanied Practice Guidance was also revised on 11 January 2023. The Company has adopted the practices based on the principles and provisions of the 2018 Code and as well as the accompanied Practice Guidance.

This report describes the Group’s corporate governance practices and structures that were in place during the financial year ended 31 December 2023 (“**FY2023**”) 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. Environmental, Social and Governance (“**ESG**”) and adoption of the Task Force on Climate Related Financial Disclosures (“**TCFD**”) framework, as part of its strategic formulation and its disclosures;
- 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 discharge 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 (“**Key Management Personnel**”) are responsible for the day-to-day operations and administration of the Company and Group and acts 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 Board meetings and on an on-going basis to enable the Board to make informed decisions and to 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 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 raise objectively issues and seek clarification, as and when necessary, from 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 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 Director(s) and the Company***

Directors have a duty to act in the best interest of the Company and should ensure that their duties are 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.

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 a 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 even if there is 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.



# CORPORATE GOVERNANCE REPORT

On an annual basis, each Director is required to promptly disclose any conflict or potential 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 FY2023, save for the matters disclosed below, no Director had to recuse themselves and abstain from making any recommendations. The following matters include:

- (i) Madam Cheng Woei Fen (controlling shareholder) and Mr Quek Kian Hui (substantial shareholder), both being Executive Directors, recused themselves from all discussions and abstained from making any recommendations in relation to the loans extended by Madam Cheng Woei Fen to the Company (please refer to page 44 and announcement dated 28 February 2024 for details);

In addition, Madam Cheng Woei Fen and Mr Quek Kian Hui also recused themselves from all discussions and abstained from making recommendations in relation to the appointment of Mr Quek Kian Hui as the Group Chief Executive Officer. Please refer to page 23 for more details; and

- (ii) Mr David Tan Chao Hsiung, Non-Executive Lead Independent Director, recused himself from all discussions (Board and Nominating Committee) in relation to his re-designation to Non-Executive Non-Independent Director at the conclusion of the coming Annual General Meeting ("**AGM**"). Please refer to page 20 for details.

## ***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, his duties and responsibilities as a member of the Board.

The Company will also conduct an orientation program for new Director(s) to familiarise himself/themselves with the business activities of the Group, its strategic directions and corporate governance practices. If a Director has no prior experience as a director of a listed company, the Company endeavors to arrange for training appropriate to the level of his prior experience in areas such as accounting and finance, legal and industry knowledge. The Company will also arrange, where needed, for the Director to attend the Listed Company Director Program conducted by the Singapore Institute of Directors.

On 1 February 2024, a formal appointment letter was issued by the Company to Mr Seah Hai Yang when he was appointed as a Non-Executive Independent Director. The Company had arranged for him to be briefed on the Company's businesses, strategies and key issues faced by the Group. These briefings were conducted by an Executive Director, the Independent Directors and Finance Director over several meetings. In addition, Mr Seah Hai Yang was also the previous Chief Financial Officer of the Company for the period 2013 to 2017. The Nominating Committee was of the view that there was no necessity for Mr Seah Hai Yang to attend the Listed Company Director Program as Mr Seah Hai Yang, at the date of his appointment, already had prior experience as an independent director of a listed company in Singapore.

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 to enable them to discharge their duties as Board members.

The Company's Secretary(ies) and both the Internal and External Auditors, during the Board and the Board Committees meetings, will brief the Directors on the changes, updates and new developments issued by the relevant authorities like Singapore Exchange Regulation ("**SGX Regco**") and Accounting and Corporate Regulatory Authority ("**ACRA**"). The Company will also circulate relevant news releases or articles, including those that relate to the Group's businesses, to the Board members.

## CORPORATE GOVERNANCE REPORT

The details of the update sessions, seminars, conferences and training programmes attended by the Directors collectively in FY2023 were:

1. The external auditors, KPMG LLP, briefed the Audit Committee and the Board on the developments in financial reporting and governance standards;
2. The Chairlady and the Executive Committee updated the Board at each meeting on business and strategic developments pertaining to the Group's businesses; and
3. Sustainability Reporting Review 2023 seminar conducted by the Singapore Exchange Regulation ("**SGX RegCo**").

### **Board Approval**

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

- Corporate Strategies of the Group;
- Annual budgets (including capital expenditure) and business plans of the Group;
- Appointment of Directors and key management 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 interested person transaction policy;
- Announcement of the Group's financial results (half year and full year), quarterly financial performance guidance updates and the release of the Annual Report; and
- Any other matters as prescribed under the relevant legislations and regulations, as well as the provision of the Company's Constitution.

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

The Board has delegated specific responsibilities, in line with the Corporate Governance Code, to three main committees, namely the Audit Committee ("**AC**"), Nominating Committee ("**NC**") and Remuneration Committee ("**RC**") (collectively, the "**Board Committees**"). The Board has also set up a Sustainability Committee ("**SC**"). Information on each of the Board Committees are set out below. All the Committees are actively engaged and play 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.

# CORPORATE GOVERNANCE REPORT

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 held four formal meetings during the 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, timely communication with members of the Board, can be achieved through electronic means such as teleconferencing, video conferencing or other similar means of communication. The Board and Board Committees also make decisions through circulating resolutions.

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

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

	Board			Audit Committee			Nominating Committee			Remuneration Committee		
	Position	No. of meetings		Position	No. of meetings		Position	No. of meetings		Position	No. of meetings	
		Held	Attended		Held	Attended		Held	Attended		Held	Attended
<b>Executive Directors</b>												
Cheng Woei Fen	C	4	4	NA	4	4 <sup>#</sup>	NA	1	1 <sup>#</sup>	NA	1	1 <sup>#</sup>
Quek Kian Hui	M	4	4	NA	4	4 <sup>#</sup>	NA	1	1 <sup>#</sup>	NA	1	1 <sup>#</sup>
<b>Non-Executive Directors</b>												
David Tan Chao Hsiung	M	4	4	C	4	4	M	1	1	M	1	1
Mah Kai Leong	M	4	4	M	4	4	M	1	1	C	1	1
Elaine Beh Pur-Lin	M	4	4	M	4	4	C	1	1	M	1	1
Seah Hai Yang <sup>B</sup>	M	4	-	M	4	-	M	1	-	M	1	-

Note:

**C: Chairman; M: Member**

<sup>#</sup> By invitation

<sup>B</sup> appointed as an Independent Director on 1 February 2024. He was appointed as a member of the Audit Committee, Nominating Committee and Remuneration Committee on the same day

## Sustainability Committee

The Board is also committed to the Company's strategic approach to integrating sustainability in its business and operations, and to advance the Company's sustainability efforts and achievements. In this regard, the Board has set up a Sustainability Committee to provide a general oversight on both sustainability issues and reporting. Since 2017, the Company published its annual Sustainability Reports in compliance with SGX-ST's sustainability requirements. The Sustainability Committee is led by our Executive Chairlady and supported by the Executive Committee members. The Sustainability Committee is responsible for identifying, evaluating, monitoring and managing the Group's material Environment, Social and Governance ("**ESG**") issues and also address matters on Task Force on Climate Related Financial Disclosures ("**TCFD**"). The Sustainability Committee reports directly to the Board.

# 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, forecast 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(s);
- Major operational and financial issues; and
- Statistics on key performance indicators including safety and incident 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, if any, are forwarded to the Directors on an ongoing basis. In addition, the Board receives quarterly management accounts from Management which presents a balanced and understandable assessment of the Group's financial performance position and prospects.

The Non-Executive Independent Directors have separate and independent access to the Executive Committee, including the Executive Chairlady, the Executive 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 raised by individual Directors are directed at 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 has retained the services of external legal counsels to advise on matters relating to Taiwan Branch Office (please refer to announcement dated 6 October 2023) and loans extended to the Company by Madam Cheng Woei Fen (the controlling shareholder and Executive Chairlady) – Chapter 9 of the SGX-ST listing Manual Interested Person Transactions; please refer to announcement dated 28 February 2024.

All Directors have separate and independent access to 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, including those of the Companies Act, Securities and Futures Act and the rules in the Listing Manual of the SGX-ST are complied with. The Company Secretary(ies) and/or their representative will also attend all meetings of the Board and Board Committees meetings and prepare minutes of the meetings. The minutes of the meeting will be circulated respectively to the Board and Board committees for their review and approval.

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.

Under the Constitution of the Company, the appointment or removal of the Company Secretary(ies) are subject to the approval of the Board.

# CORPORATE GOVERNANCE REPORT

## **Multiple Board Representations**

All Directors are required to declare their board representations on an annual basis. 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.

In addition to the above process, the Director has to notify the Board first, prior to accepting any new listed company board appointments or principal commitments. This will allow the Director to review his time commitments with the proposed new appointment and in the case of an Independent Director, to ensure that his independence will not be affected. The Nominating Committee noted that, excluding the directorship held in the Company, the number of listed company board representations currently held by:

- (a) Mr David Tan Chao Hsiung is three;
- (b) Ms Elaine Beh Pur-Lin is one; and
- (c) Mr Seah Hai Yang is one.

The Nominating Committee is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Group, notwithstanding that some of the Directors have other board representations or other principal commitments. There is presently no need to implement internal guidelines to address their competing time commitments and this matter will be reviewed on an annual basis by the Nominating Committee. At the same time, the Nominating Committee has recommended to the Board as a guide that Non-Executive Independent Directors should limit their other board representations in listed companies to six including that of the Company. For the financial year under review, no Director has exceeded such stipulation.

## **Board Composition and Guidance**

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

### **Board Independence**

Currently, the Board comprise of six members, four of whom are Non-Executive Independent Directors. With more than half of the Board is made up of independent directors, including independence from substantial shareholders (5% or more shareholders\*) of the Company, the Board is capable to exercise independent and objective judgement on the corporate affairs of the Group. It also ensures key issues and strategies are critically reviewed, constructively challenged, 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 more than of \$50,000 from the Company or Group or \$200,000 from a 5% or more shareholder\* during the year. For FY2023, the Nominating Committee has assessed and satisfied that all the four Non-Executive Independent 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.

## CORPORATE GOVERNANCE REPORT

The nomination of Mr Seah Hai Yang was reviewed by the Nominating Committee and the Board. Mr Seah was previously the Chief Financial Officer of the Company for the period 2013 to 2017. Based on declarations made by Mr Seah and taking guidance from the 2018 Code, the Nominating Committee is of the view, and concurred by the Board, that Mr Seah Hai Yang is considered a Non-executive Independent Director.

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

The Board recognizes that Independent Directors may over time develop significant insights into the Group's businesses and operations and can continue to provide noteworthy and valuable contributions objectively to the Board as a whole. The independence of the Independent Directors must be based on the substance of their professionalism, their integrity and objectivity, and not merely based on form, such as the number of years which they have served on the Board.

Rule 210 (5) (d) (iii) of the SGX Listing Rules, stipulated mandatory two-tier voting processes for the reappointment of independent director who has served on the Board of the listed issuer for an aggregate period of more than nine years from the date of his appointment. On 11 January 2023, this was removed with immediate effect and a new Rule 210 (5) (d) (iv) came into effect. The Singapore Exchange Regulation now limit to nine years the tenure of independent director serving on the boards of listed issuers. As a transition, independent director whose tenure exceeds the nine-year limit can continue to be deemed independent until the listed issuer's next AGM for the financial year ending on or after 31 December 2023. Save for Mr David Tan Chao Hsiung, none of the other Non-Executive Independent Directors, from the date of their first appointment to the end of FY2023, have reached the 9 years limit.

At the end of FY2023, Mr David Tan Chao Hsiung, our Lead Independent Director and Chairman of the Audit Committee, has served on the Board for more than 9 years from the date of his first appointment. He was last re-elected to the Board on 23 April 2021 under the mandatory two-tier voting processes in line with Rule 210 (5) (d) (iii). At the conclusion of the coming AGM on 25 April 2024, Mr David Tan Chao Hsiung, will no longer be deemed as an independent director under Rule 210 (5) (d) (iv).

The Board, with the recommendation from the Nominating Committee, has asked Mr David Tan Chao Hsiung to continue as a Non-Executive Non-Independent Director. It should be noted that Mr David Tan has abstained himself, at both the Board and Nominating Committee, from any discussions on this subject matter. The Board believes that with his accumulated significant insights into the Group's businesses, he will continue to provide valuable contributions as before, notwithstanding, he is no longer deemed independent under Rule 210 (5) (d) (iv). Mr David Tan has agreed to continue as a Non-Executive Non-Independent Director.

At the conclusion of the forthcoming AGM, Mr David Tan Chao Hsiung will be re-designated as a Non-Executive Non-Independent Director. He will step down as Lead Independent Director. He will also step down as Chairman of the Audit Committee and remain as a member of the Audit Committee, Nominating Committee and Remuneration Committee respectively.

The Board, with the recommendation of the Nominating Committee, has reviewed Mr Seah Hai Yang credentials, experience and suitability and has redesignated Mr Seah as the Lead Independent Director and Audit Committee Chairman. His redesignations as the Lead Independent Director and Audit Committee Chairman will only come into effect upon him being re-elected as a Director (pursuant to Rule 112 of the Company's Constitution) and at the conclusion of the forthcoming AGM. He will continue as a member of both the Nominating and Remuneration Committees.

### ***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 FY2023. 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 Non-Executive Independent Directors make up the majority of the Board, the Company has complied with the relevant provisions 2.2 and 2.3 as specified in the 2018 Code.

# CORPORATE GOVERNANCE REPORT

**The Company as at 15 March 2024, has 1,338 shareholders – for details on the spread of shareholdings please refer to page 122 of this report. The two largest shareholders representing 62.9% of the total issued ordinary shares (exclude treasury shares), are Executive Directors of the Company – one of whom is the Executive Chairlady. The interests of minority shareholders are well represented through the Non-Executive Independent Directors, who constitutes majority of the Board of Directors.**

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

The Company's Board Diversity Policy endorses the principle that its Board should have a balance of skills, knowledge, management experience and diversity of perspectives appropriate to its businesses so as to mitigate groupthink and foster constructive debate. The Company also recognizes that a diverse Board is an important element which will better support the Company's achievement of its strategic objectives for sustainable development by enhancing the decision-making process of the Board through the perspectives derived from the various skills, business experience, industry discipline and other aspects of diversity (such as gender and age) of the Directors.

The Nominating Committee considers all aspects of board diversity when reviewing and assessing the composition of the Board and when making recommendations to the Board for the appointment of Directors to arrive at an optimal balanced composition of the Board. The Board Diversity Policy also provides for the Nominating Committee to discuss and recommend annually to the Board targets and timelines for promoting and achieving diversity on the Board.

The Company has a skills matrix to help identify gaps in the Board. The matrix classifies operation skills, management experience and knowledge of the existing directors into broad categories such as industry knowledge, management expertise and professional skills in finance and accounting, risk management, legal, sustainability, corporate finance/mergers and acquisitions, digital/technology and human resources.

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, financial and accounting (including mergers and acquisitions and capital markets), risk management and legal which are relevant to the Group and its industry.

The Nominating Committee conducts its annual review of the composition of the Board, which comprises members of both genders and from different backgrounds whose core competencies, qualifications, skills and experiences, meets the requirements of the Group. All Directors will submit to the Nominating Committee on an annual basis a completed Board Evaluation Questionnaire (including board diversity). The Nominating Committee has reviewed the completed Questionnaire for FY2023, 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 is also 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 a unanimous basis and no individual or group can dominate the Board's decision-making process.

There is also an appropriate balance and diversity of skills and experience in the Board. Although all the Directors are responsible for the Group's operations, the role of the Non-Executive Independent Directors is particularly important in ensuring that the strategies proposed by Management are constructively challenged, discussed and examined, and take into account 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 businesses in. 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, management experience and diversity of the Board as a whole.

## CORPORATE GOVERNANCE REPORT

<b>Board Diversity Targets and Progress in FY2023 (As at 31 December 2023)</b>	
<b>Targets</b>	<b>Progress</b>
(1) Independent Directors to constitute at least 50% of the Board	Currently, the Board of Directors comprises of 5 members <sup>#</sup> as at 31 December 2023 of which three of them are Non-Executive Independent Directors. With more than half of the Board members being independent directors, the target has been achieved.  <i># excludes Mr Seah Hai Yang as he was appointed on 1 February 2024.</i>
(2) To bring female representation on the Board to 25% by 2025 and 30% by 2030. This is in line with the recommendations made by the Singapore Council for Board Diversity.	As at 31 December 2023, the Company has 40% (2 female Directors) representation on its Board. The target has been achieved.
(3) Maintain age diversity with Directors' age ranging from below 50s to below 75s with majority of the Directors in the 60s to 70s range.	As at 31 December 2023, the Company has two directors below the age of 60s and three directors below the age of 75s. The Board has continued to maintain this target.
(4) Achieving a balance of skill set on the Board to achieve the Company's strategic objectives	The Board has continued to maintain this target.

### **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 management executives, remunerations of the Executive Directors and Key Management Personnel (including the granting of performance shares), and feedback from the Internal and 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 feedback and recommendations to the Executive 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 and CEO are separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

The Chairman (in our Company, Chairlady), Madam Cheng Woei Fen who is also an Executive Director, is responsible for leading the Board and facilitating its effectiveness. She promotes high standards of corporate governance on the Board and within the Group. The CEO is responsible for the operations, business direction, strategic positionings and business expansion of the Group. Currently, the Group does not have a CEO as the functions 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.



# CORPORATE GOVERNANCE REPORT

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 their remuneration packages are reviewed periodically by the Remuneration Committee. As the Board Committees consist of all Non-Executive 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.

## ***Appointment of Chief Executive Officer ("CEO") – effective from 8 April 2024***

As part of MSE Group's succession planning, Mr Quek Kian Hui was appointed as the Executive Deputy Chairman in February 2021 and has taken the role as the Chairman of the Executive Committee. The Executive Committee is responsible for the day-to-day operations and administration of the Group and acts in accordance with the policies and objectives set by the Board. The Executive Committee is responsible for all operation matters including budgetary controls, commitments to new works and tenders, the finance and treasury functions.

The Board, with the recommendation from the Nominating Committee, has appointed Mr Quek Kian Hui as the Group CEO, effective from 8 April 2024. The Nominating Committee is of the view, that although he is currently the Executive Deputy Chairman, he is already assuming the Group CEO role and performing the CEO functions in the past few years. In addition, as part of good Corporate Governance, the roles of Chairlady and CEO should be separated. With this appointment, the Executive Chairlady will focus on strategic matters and Mr Quek will focus on the execution and daily operations of the Group.

Madam Cheng Woei Fen and Mr Quek Kian Hui had recused themselves from all discussions and abstained from making any recommendations on this subject matter. With effect from 8 April 2024, Mr Quek Kian Hui will remain as the Executive Deputy Chairman and appointed as the Group CEO.

## ***Role of Chairlady***

The Group's Executive Chairlady, Madam Cheng Woei Fen, plays an instrumental role in developing the business strategies of the Group and provides it with strong leadership and vision. She leads the Board in its review of the Group's business strategies in key markets, deployment and allocation of financial resources, corporate governance, human resource management and development and serves as a key contact to all business and joint venture partners. Besides management oversight of the Group's performance, she also ensures 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. The management staff who has prepared the Board papers, or who can provide additional insight into the matters to be discussed, is invited to present 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 and constructive dialogue amongst them. The Chairlady works to facilitate the effective contributions of Non-Executive Independent Directors. She also sets guidelines and exercise the quality, quantity, accuracy 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.

# CORPORATE GOVERNANCE REPORT

## ***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, where they have concerns, where contact through the normal channels of the Chairlady or the Finance Director has failed to resolve an issue or for which such contact is inappropriate. There was no query received or request on any matters which require the Lead Independent Director's attention in FY2023.

## **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:

Elaine Beh Pur-Lin (Chairlady)  
David Tan Chao Hsiung  
Mah Kai Leong  
Seah Hai Yang (appointed on 1 February 2024)

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

The Chairlady 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 set out its duties and responsibilities. Its responsibilities include the following:

1. Making recommendations to the Board on succession plans for the 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, taking into consideration age, gender as well as the diversity in their skill sets and experience. The Nominating Committee will also identify any gaps in the Board's skill set, considering the Group's strategy and business operations. The Nominating Committee seeks to refresh the Board membership progressively and in an orderly manner, to avoid losing institutional memory. After endorsement by the Board of the key attributes, the Nominating Committee taps on the resources of Directors' personal contacts and recommendations of potential candidates and goes through a short-listing process. If candidates identified from this process are not suitable, executive recruitment agencies may be appointed to assist in the search process. Interviews are set up with potential candidates for the Nominating Committee members to assess them, before a decision is taken;
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, contribution 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;

# CORPORATE GOVERNANCE REPORT

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 considers the definitions and guidelines of independence as set out under Provision 2.1 of the 2018 Code, Rule 210 (5) (d) of the SGX-ST 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.

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 recognizes 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 and to retain the services of the Directors, as necessary. With effect from 11 January 2023, the Singapore Exchange Regulation will limit to nine years the tenure of independent directors serving on the boards of listed issuers. The Board will comply with this ruling.

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% or 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 follows 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, Mr Mah Kai Leong, Ms Elaine Beh Pur-Lin and Mr Seah Hai Yang are considered independent and that, no individual or small group of individual dominates the Board's decision-making process. At the conclusion of the coming AGM on 25 April 2024, Mr David Tan Chao-Hsiung will be considered as non-independent under the ruling Rule 210 (5) (d) (iv) of the Listing Manual of SGX-ST. He will be redesignated as Non-Executive Non-Independent Director with effect from the conclusion of the forthcoming AGM. Please refer to page 20 for more details.

## ***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 FY2023.

## CORPORATE GOVERNANCE REPORT

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. If alternate Directors are appointed, it will be for a limited period and for exceptional cases such as medical emergencies.

### ***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 the individual performance and contributions of Mr Quek Kian Hui and Mr Mah Kai Leong, has recommended the retiring Directors for re-election at the forthcoming AGM.

Pursuant to Regulation 112 of the Company’s Constitution, any Director appointed shall hold office until the next AGM and shall then be eligible for re-election, but shall not be considered in determining the number of Directors who are to retire by rotation at such AGM. Mr Seah Hai Yang who was appointed on 1 February 2024 will be seeking re-election at the forthcoming AGM. The Nominating Committee, having considered Mr Seah Hai Yang’s independence as indicated on page 20 has recommended Mr Seah Hai Yang for re-election at the forthcoming AGM.

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

- [1] Mr Quek Kian Hui will remain as the Executive Deputy Chairman and the Group Chief Executive Officer;
- [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; and
- [3] Mr Seah Hai Yang, if re-elected, will remain as Non-Executive Independent Director.

Upon his re-election and conclusion of the forthcoming AGM, Mr Seah will be appointed as the Non-Executive Lead Independent Director and Chairman of Audit Committee. He will remain as a member of the Nominating and the Remuneration Committees respectively.

## CORPORATE GOVERNANCE REPORT

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

<b>Name of Director</b>	<b>Mr Quek Kian Hui</b>
Age	39
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 contributions and performance as an Executive Deputy Chairman of the Company and Group Chief Executive Officer.
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 execute Group's business strategies.
Shareholding interest in the listed issuer and its subsidiaries	<u>The Company</u> 86,376,800  <u>Subsidiaries of the Group</u> Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Son of Executive Chairlady, Madam 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	<u>Past (for the last 5 years)</u> Nil  <u>Present</u> Nil  <u>Other Principal Commitments</u> Nil

## CORPORATE GOVERNANCE REPORT

<b>Name of Director</b>	<b>Mr Mah Kai Leong</b>
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	<u>The Company</u> Nil  <u>Subsidiaries of the Group</u> Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None
Conflict of interest (including any competing business)	None
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes
Principal Commitments including Directorships	<u>Past (for the last 5 years)</u> Nil  <u>Present</u> Nil  <u>Other Principal Commitments</u> Nil

## CORPORATE GOVERNANCE REPORT

<b>Name of Director</b>	<b>Mr Seah Hai Yang</b>
Age	61
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 Seah Hai Yang'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	<u>The Company</u> Nil  <u>Subsidiaries of the Group</u> Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None
Conflict of interest (including any competing business)	None
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes
Principal Commitments including Directorships	<u>Past (for the last 5 years)</u> 1. RHT Corporate Advisory Pte Ltd (Mar 2018 to Dec 2019) 2. RHT Corporate Advisory (HK) Limited (Mar 2018 to Nov 2019) 3. Asiatic Group (Holdings) Limited – Listed on SGX Catalist (Sep 2007 to Jul 2018)  <u>Present</u> 1. Van Der Broeck's Consultancy Pte Ltd 2. Raintree Corporate Services Pte Ltd 3. Jumbo Group Limited  <u>Other Principal Commitments</u> Nil

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

# CORPORATE GOVERNANCE REPORT

## **Board Performance**

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

The Board has 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, uses its best efforts 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 accounting and management skills critical to the Group's businesses. It has also ensured that each Director, with his/her 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.

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 views on the various aspects of the Board and its Board Committees performance and competencies to assess the overall effectiveness of the Board and its Board Committees. To ensure confidentiality, the completed questionnaires are submitted to the Company Secretary for collation. The consolidated responses are 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 FY2023, 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 FY2023 to assist in the assessment of the performance of the Board and Board Committees.

### ***Board and Board Committee Evaluation Criterion***

The performance criterion for the Board and Board Committees evaluations are in respect of its size and composition, independence, processes, information, accountability and performance in relation to discharging its principal functions 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 its procedures and processes and where necessary make changes to enhance the effectiveness of the Board and its Board Committees.

### ***Evaluation of the Executive Chairlady***

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

The assessment of the Executive 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 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.



# CORPORATE GOVERNANCE REPORT

## **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 contributions to the development of strategies, availability at Board meetings (as well as informal contributions via email and telephone), interactive skills, industry and business knowledge and experience each Director possesses which are crucial to the Group's businesses.

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 can adequately discharged their duties as Directors of the Company.

Nonetheless, the 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  
Elaine Beh Pur-Lin  
Seah Hai Yang (appointed on 1 February 2024)

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 including the following:

- Reviewing and recommending to the Board for endorsement, a framework of remuneration for the Board and Key Management Personnel. Key Management Personnel comprises of the Executive Directors and Senior Management of the Executive Committee. The framework for Key Management Personnel 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 Executive Director and Senior Management or Key Management Personnel.

## CORPORATE GOVERNANCE REPORT

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.

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 FY2023, 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 51 to 53.

### **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 commensurated with their performance and that of the Company/Group, giving due regards to the financial and commercial health and business needs of the Company/Group.

Executive Directors do not receive Directors' fees but are remunerated as members of Management.

During FY2023, 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 Executive Directors and Key Management Personnel are reasonable and within the specific mandates from the Board and are also in line with the Group's existing human resource policies. The Remuneration Committee also reviews the Company's obligations, in the event of termination of the Executive Directors and Key Management Personnel, and is satisfied that their service contracts (if any) does not contain unfair and unreasonable termination clauses which are overly generous. The Remuneration Committee has recommended the aforesaid to the Board for adoption.

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/Group have been incorporated into their service agreements (when entered into) 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. In addition, the Executive Directors owe fiduciary duties to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

# CORPORATE GOVERNANCE REPORT

The service agreements between the Company and the Executive Director (Madam Cheng Woei Fen) expired in FY2019. Should the Company enter into a service agreement with the Executive Director(s), it will be for a fixed appointment period and not contain onerous removal/termination clauses. 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 goals and the latter on individual performance.

The remuneration package of Key Management Personnel comprises both fixed and variable components and benefits. The Company subscribes to linking executive remuneration to corporate (with the emphasis on enhancing shareholders' value and long-term success of the Group) and individual performance based on annual appraisal of employees and using performance indicators such as core values, competencies, key result areas, performance rating, and potential of the employees.

## **(a) Fixed Component**

Fixed pay comprises basic salary, statutory employer's contributions to the Central Provident Fund and fixed allowances. To ensure that Executive Directors and Key Management Personnel's remuneration are 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.

There was no salary increment for the Executive Chairlady in FY2023.

## **(b) Variable Component**

This component comprises of 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 Management Personnel are reviewed by the Remuneration Committee and approved by the Board to ensure alignment of their interests with those of shareholders.

Bonuses, based on the audited results, will only be paid to Executive Directors and Key Management Personnel in the following year. FY2022 bonus was paid to Executive Directors and Key Management Personnel in 2023 based on the FY2022 audited results. Similarly, FY2023 bonus, if any, will be paid to the Executive Directors and Key Management Personnel in 2024 based on the FY2023 audited results.

Bonuses paid to Executive Chairlady and Executive Deputy Chairman in 2023 were in relation to the FY2022 performances.

## **(c) Benefits**

The 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. The Company did not award any shares to any employee in FY2023. Details of the plan are set out in the Directors' Statement on pages 51 to 53.

# CORPORATE GOVERNANCE REPORT

## ***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 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 until FY2021. The Board concurred with the Remuneration Committee that the Directors' fees for 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 had undertaken previously. The FY2024 proposed fees for Non-Executive Independent Directors will remain at \$116,000 (FY2023: \$116,000).

The Board, with recommendation from the Remuneration Committee, has proposed that the Non-Executive Non-Independent Director fees for FY2024 will be up to \$37,000 (FY2023: Nil). Factors such as level of contribution, effort and time spent, and responsibilities of the Non-Executive Non-Independent Directors are considered when determining this level of fees.

The total Directors' fees of up to \$153,000 for FY2024 (FY2023: \$116,000), are recommended by the Board to be tabled for approval by the shareholders at the forthcoming AGM.

## **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 – both supply and economic outlook are the main determinants. In addition, both interest rates and corporate taxes have a significant influence on the quantum.

The Group links its remuneration policy to the 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 Executive Chairlady, Executive Deputy Chairman and Key Management Personnel, their variable or performance related bonuses, besides 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.

## CORPORATE GOVERNANCE REPORT

The remuneration of Directors and Key Management Personnel is set out below. The disclosure is provided to enable investors to understand the link between the remuneration paid to the Directors and Key Management Personnel, corporate and individual performance.

Remuneration table

	← Breakdown in percentage →					Total %
	Total Remuneration \$'000	Based/Fixed Salary %	Director's Fees %	Variable or Performance-related Income/Bonuses %	Benefits in kind %	
<u>Directors</u>						
Cheng Woei Fen	254	92.5	–	7.0	0.5	100.0
Quek Kian Hui	239	96.5	–	3.0	0.5	100.0
David Tan Chao Hsiung	42	–	100.0	–	–	100.0
Mah Kai Leong	37	–	100.0	–	–	100.0
Elaine Beh Pur-Lin	37	–	100.0	–	–	100.0
Seah Hai Yang <sup>#</sup>	Nil	–	–	–	–	Nil

<sup>#</sup> appointed on 1 February 2024

	← Breakdown in percentage →				Total %
	Based/Fixed Salary %	Variable or Performance-related Income/Bonuses %	Benefits in kind %	MSE PSP %	
<u>Top 5 Key Management Personnel</u>					
<b>\$250,000 to \$500,000</b>					
Sean Safavinejad <sup>#</sup>	100.0	–	–	–	100.0
Lim Poon Kheng, Eugene	80.1	6.7	0.4	12.8	100.0
<b>Below \$250,000</b>					
Lin Yan	92.4	7.1	0.5	–	100.0
Teo Kheng Hock	92.7	6.7	0.6	–	100.0
Narayanan Parthasarathy	90.6	8.7	0.7	–	100.0

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

Bonuses relate to FY2022 bonus payout

<sup>#</sup> He joined the Company in March 2023

In line with the Group's financial performance for FY2023, based/fixed salary formed a substantial portion of the total remuneration of the Executive Directors (including that of the Executive Chairlady and Executive Deputy Chairman) and Key Management Personnel.

The total remuneration for the top 5 Key Management Personnel was \$1,296,000.

Save for the above disclosures for Madam Cheng Woei Fen and Mr Quek Kian Hui (son to Madam Cheng Woei Fen), there was no employee who was an immediate family member of a Director whose remuneration exceeded \$100,000 during the year under review.

# CORPORATE GOVERNANCE REPORT

## 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. The Audit Committee will oversee the formulation and review, with the assistance of the internal auditors, the adequacy and effectiveness of the Group's management systems and internal controls and report to the Board annually on any internal control weaknesses.

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 FY2023. The internal auditors, CLA Global TS Risk Advisory Pte Ltd, performed a review of the FY2023 ERM and Management updated some of the risks assessments as per the Internal Auditor recommendations.

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.

Having regard to the identified risks which the business is exposed to, 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.

# CORPORATE GOVERNANCE REPORT

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 Executive Chairlady and an Executive Director. Those more than certain percentage of the Group's shareholders' funds would require approval by the Board. In FY2023, there was no project that exceeded more than 10% of the Group's shareholder's funds that require Board approval.

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 four financial years (2020 to 2023), 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 FY2023.

## *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). 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.

## *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. The last internal audit review was done in FY2020.

## *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.

As at 31 December 2023, the impairment amount for contract assets stood at \$137,000 (31 December 2022: \$1,057,000). During the year, the Group recovered S\$854,000 or 87% of the total amount provided for as at 31 December 2022. The Group, via Pegasus Advance Engineering Sdn Bhd, is currently waiting for Petronas to approve the balance amount of \$137,000 before proceeding with billings. We are confident that the remaining balance of \$137,000 will be recovered during FY2024. Besides this, during FY2023, the Group also made a provision for expected credit loss of \$38,000 (FY2022: \$Nil) on trade receivables.

# CORPORATE GOVERNANCE REPORT

## *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. The 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, several initiatives to diversify its revenue base (including geographically) and broaden its range of services were undertaken. The Group currently has operations in Taiwan, Malaysia and North America.

The Malaysia operations commenced in FY2020. From FY2020 to FY2023, its revenue has been increasing steadily and at a compounded growth rate of 35.3%. In FY2023, despite Group's revenue increasing by 12.5% compared to FY2022, its revenue contribution was significant, surpassing 5% for the first time.

At the Taiwan market, the Group was able to garner support from CPC Corporation ("CPC") – Taiwan government linked corporation. CPC, through its various operating units, had awarded the Company's Branch Office several contracts and these contracts made material contributions to the Group's profitability. However, due to certain unlawful actions by our consultant – who is not our employee and he carried out these unlawful actions without our knowledge or approval, the Company's Branch Office was suspended for a period of 3 years commencing December 2022. Please refer to our announcements dated 14 April 2021, 21 June 2022, 12 July 2022, 4 August 2022, 3 November 2022, 22 December 2022, 28 February 2023 and 6 October 2023. PAI, a wholly owned subsidiary which is outside of the 3-year suspension and allows us to better manage our risk, will continue to seek business opportunities in Taiwan.

The North America operations commenced in mid FY2023. Pegasus Industrial Midwest LLC (PIM) provides cleaning and repair services (one of the Group's core competencies) in the State of Illinois, US. PIM has been qualified by eleven business partners. One of these business partners, a refinery that has an estimated daily output of 270,000 barrels, has awarded PIM a turnaround cleaning contract in FY2024. Although the contract value is small but it opens opportunities for PIM to further this relationship.

Besides geographical diversification, the Group has increased its range of offerings. 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 resources to achieve profitability and retain customers (or business partners). The Group faces risks of not being able to retain its pool of human resources. In its effort to retain and attract new talents, it provides staff with essential training and transparent career succession planning road map.

Profitability of the Group is dependent on the deployment of its directly employed workforce, which comprise majority of foreigners. Changes in manpower laws on the employment of foreigners, like government levies and quotas, have significant impact on our ability to continue to execute work orders and profitability. The recent increase in the ratio of local to foreign employees and levies imposed by the government caused us to reduce some of our directly employed workforce. To mitigate this, the Group has reorganized (via centralization) both the deployment of its directly employed workforce and operating assets.



# CORPORATE GOVERNANCE REPORT

## *Compliance risk*

The Company is incorporated in Singapore and its shares are listed and quoted on the SGX-ST. Besides the Company, the Group also has legal entities operating in various foreign jurisdictions, in which the Group is obligated to comply with all the local statutory and regulatory requirements. In Singapore, the Company has to comply, particularly, the Companies Act 1967, Securities and Futures Act, SGX-ST Listing Manual and Employment of Foreign Manpower Act. Rapid changes in laws and regulations and practices in different jurisdictions have made compliance more complicated. Fraud or deliberate wrongful acts can result in financial loss to the Company and Group.

During FY2021, the Ministry of Manpower imposed against the Company both the administrative financial penalty and debarred it from employing foreign manpower for a period of 1 year after it was found to have breached Section 25 (3) of the Employment of Foreign Manpower Act. The breach arises from submissions made by the Company to the Ministry of Manpower without obtaining proper documentary proofs on employing foreign manpower. Following the appeal by the Company, the debarment was reduced to 6 months.

The Group also conducted, after the unlawful act by a consultant we engaged in Taiwan, a review of its existing consulting contracts to ensure that our other consultants, whom we engaged from time to time, do not engage in unlawful or unethical business practices.

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 policies to monitor the level of compliance and minimise the level of lapses. The Group also has an internal guideline (Code of Business Ethics and Conduct) and anti-corruption policies, which our employees are being briefed on as they are accountable for such compliances. The Group also maintains a whistle blowing policy whereby employees and other stakeholders can raise concern on any unethical, fraudulent act or corrupt practices, in good faith, without fear of retaliation for investigation and action, subject to applicable laws. Our Group Human Resource Department conducts training sessions on an annual basis to all employees within the Group to adhere to the Group's Code of Business Ethics and Conduct.

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

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

- that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- that the Group's risk management and internal control systems are adequate and effective 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.

# CORPORATE GOVERNANCE REPORT

## **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)  
Mah Kai Leong  
Elaine Beh Pur-Lin  
Seah Hai Yang (appointed on 1 February 2024)

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 Auditor 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 the Board had approved. Mr David Tan Chao Hsiung is an accountant by training and has relevant experience in financial restructuring, mergers and acquisitions and capital markets transactions. He has in the past and currently served in a number of the SGX-ST listed companies (both the Catalist and the Mainboard) as board member and holds offices of audit committee chairman, lead independent director and chairman of the other board committees. Mr Mah Kai Leong, is a qualified mechanical engineer, held senior management position (with financial management experience) in a major processing plant in Singapore. Ms Elaine Beh, a lawyer, has relevant working experience from her involvement in the board committees of both listed and non-listed companies. Besides this, she has in the current and past, served on the board of directors of two other SGX-ST listed companies. Mr Seah Hai Yang is also an accountant by training and has held senior appointments in accounting and finance with private and public companies in various industries. He is currently a founder of a consultancy company providing consultancy and corporate services. He has in the current and past, served on the board of directors as well as audit committee chairman of two other SGX-ST listed companies.

The Audit Committee has a set of 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, its financial impact and to ensure the integrity of the financial statements of the Group. It also reviews the 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;

## CORPORATE GOVERNANCE REPORT

- 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;
- 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 Executive 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 Executive 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 both 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.

During 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 in 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.

# CORPORATE GOVERNANCE REPORT

## ***Financial Reporting Matters***

The Board is responsible for providing a balanced and understandable assessment of the Group's financial performance position and prospects when presenting interim and other price sensitive public reports and reports to regulators (if required).

The Company prepares its financial statements in accordance with the Singapore Financial Reporting Standards (International) (the "**SFRS (II)**") prescribed by the Accounting Standards Council. The Audit Committee meets on a quarterly basis to review the quarterly financial performance guidance 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 position 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 financial 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 financial 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/managers 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.

## ***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:

	<b>Audit Fee</b>	<b>Non-audit Fee</b>
Fees paid to External Auditors	S\$294,000	S\$3,000

The non-audit fee relates 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 FY2023 and FY2024, the Audit Committee has considered the adequacy of the resources, audit experience and competence of KPMG, and has considered 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 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 program***

The Company has established a Code of Conduct and Business Ethics ("**CCBE**") which applies to all employees of the Group. The CCBE 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 line with the Company's policies and accordance with respective 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 of 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 program.

## ***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 on a quarterly basis 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 was 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.

The Group has on 28 February 2024 entered into two separate revolving facility agreements ("**Revolving Facility Agreements**") in the amount of S\$1.5 million and RM1.0 million respectively with Madam Cheng Woei Fen (the Executive Chairlady and controlling shareholder of the Company). Both Revolving Facility Agreements will expire 3 years from 28 February 2024, or on such other date as may be mutually agreed by the Company and Madam Cheng Woei Fen in writing. These loans are provided at no more onerous terms than those from the Company's existing lenders. The entry into of the Revolving Facility Agreements constitute an interested person transaction under Chapter 9 of the Listing Rules. The Board, with the concurrence of the Audit Committee, is also satisfied that the terms and conditions of each of the Revolving Facility Agreements are not prejudicial to the interests of the Company and its minority shareholders. Madam Cheng and her son, Mr Quek Kian Hui (substantial shareholder), who are both Executive Directors of the Company, had abstained from making any recommendation and approval in respect of each of the Facilities. For further details please refer to the Company's announcement dated 28 February 2024.

## ***Material Contracts***

Pursuant to Rule 1207(8) of the Listing Manual, there was no material contract entered into by the Company/Group involving the interests of any director or controlling shareholder during the financial year.

## ***Internal Audit***

The Board recognises the importance of sound risk management and internal controls practices to good corporate governance and has outsourced its internal audit function. The Audit Committee 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, it also ensures that resources are adequate so that the internal audits are performed effectively. The Audit Committee also evaluates and approves the appointment, termination and compensation of the Internal Auditor. Besides this, 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.

# CORPORATE GOVERNANCE REPORT

The internal audit function of the Group is outsourced to CLA Global TS Risk Advisory Pte. Ltd. (formerly known as Nexia TS Risk Advisory 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 Institute 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 Executive 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;
- 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 and oversees the implementation of the improvements required on internal control weaknesses identified.

During the year, the Audit Committee 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 Auditor may be involved in ad-hoc projects initiated by the Board which require the assurance by the Internal Auditor in specific areas of concerns. During the year, the Internal Auditor was not involved in any ad-hoc projects.

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 CLA Global TS Risk Advisory Pte Ltd., is staffed by suitably qualified and experienced professional with the relevant experience to perform its internal audit function effectively.

## *Internal Review of Sustainability Reporting*

During FY2023, the Internal Auditor also performed a review of our sustainability internal control processes for the collection of data relating to the ESG issues as well as performed a review of our FY2022 sustainability report. Management is in the process of implementing the recommendations which they have identified during their internal audit review.

# CORPORATE GOVERNANCE REPORT

## 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 sent to all shareholders. The notices are also published in the Business Times and posted onto the SGXNET and the Company's website.

Pursuant to Rule 730A(2) of the Listing Manual, all resolutions proposed at the Annual General Meeting ("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 active shareholder participation at general meetings to ensure a high level of accountability and to stay informed of the Group's strategies. At the Company's AGM, shareholders present are given the opportunity to communicate their views and are encouraged to ask the Directors and Management questions regarding matters affecting the Company and the Group. 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. If shareholders are unable to attend the meetings, the Constitution of the Company allows shareholders who are not relevant intermediaries to appoint not more than two proxies to attend, speak and vote in general meetings. To ensure valid registration of proxy, the proxy forms must be sent in advance to the place(s) as specified in the notice of the general meetings at least 72 hours before the time set for the general meetings. 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.

At each AGM, the members of the Board avail themselves and encourage shareholders to participate in the question-and-answer session. The Board views the AGM as the principal forum for dialogue with shareholders, being an opportunity to raise issues pertaining to the resolutions tabled for approval. 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 answer financial and operational questions from shareholders.

The Company also prepares minutes of general meetings (published within one month after the meeting) 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 FY2022 held on 21 April 2023 had been published by the Company on its corporate website and SGX-ST website.



# CORPORATE GOVERNANCE REPORT

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 coming year). While there is no definitive dividend policy, the Board will endeavor to have a dividend rate that reflects closely with the Group's performance.

For the financial year ended 31 December 2023, 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 (2022: 0.04 cents). The proposed dividends for FY2023 will be paid out from past retained earnings as the Group was in a loss position for FY2023. The dollar value of the dividends proposed is \$232,000 (FY2022: \$232,000).

*AGM – to be held on 25 April 2024*

For the forthcoming AGM, the Company will be conducting a physical meeting. Adoption of electronic means (live video conference or live audio conference) AGM had expired on 30 June 2023 due to the end of the Covid-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 ("Temporary Order"). This temporary order had ceased with effect from 1 July 2023.

Shareholders are encouraged to submit their questions by 16 April 2024. 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 2.00 pm on 20 April 2024 (in accordance with the guidelines in which questions must be responded forty-eight (48) hours prior to the closing date and time for the lodgment of the proxy forms). 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 fair, timely and transparent manner as well as to hear its shareholders' views and addressing their concerns. By providing shareholders with reliable and timely information, the Company will be able to strengthen the relationship with its shareholders based on trust and accessibility.

All shareholders of the Company receive the 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.

Prior to FY2023, the Company mailed out its Annual Report and Addendum to shareholders on a yearly basis. In the current year (FY2023), in line with the Company's sustainability strategy, we have discontinued the practice of mailing out Annual Report and Addendum to shareholders. An electronic copy of this Annual Report and Addendum have been uploaded onto the Company's website at [www.mun-siong.com](http://www.mun-siong.com) or SGX website at [www.sgx.com/securities/company-announcements](http://www.sgx.com/securities/company-announcements). Printed copies of the Annual Report and Addendum are available upon request.

Besides AGMs, the Company believes in regular, effective and fair communication with its shareholders and is committed to hear shareholders' views and address their concerns where possible. The Company has an investor relations team which attends to their queries or concerns. The Company does not have an Investor Relations Policy in place.

# CORPORATE GOVERNANCE REPORT

The Board strives to provide comprehensive disclosures to Shareholders and investors to enable them to keep abreast of the Group's developments via the voluntary quarterly financial performance guidance updates on Singapore, Malaysia, Taiwan and North America operations (arising from material developments in FY2023). Guided by the policy, of equal access, shareholders are informed simultaneously in an accurate and comprehensive manner regarding all material developments via SGXNet, the Company's website [www.mun-siong.com](http://www.mun-siong.com) and where appropriate through media release on an immediate basis. This is in line with the Company'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 the telephone or email directly to the Company'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 Company 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 their concerns so as to improve the quality of services and to maintain high safety standards, as well as to sustain the business operations for long term growth.

The stakeholders have been identified as those who are impacted by the Group's businesses and operations or those whose actions are able to impact the Group's businesses 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 ESG materiality matrix upon which targets, performance and progress are reviewed and endorsed by the Board annually. The Group has also adopted the Task Force on Climate-Related Financial Disclosures ("**TCFD**") framework in FY2023 and aims to provide climate-related disclosures consistent with the TCFD recommendations with a phased implementation approach. The Company's Sustainability Report will be made available on our website on an annual basis in the month of April. Having identified the stakeholders and the material ESG issues (including climate-related issues), the Company has mapped out the key areas of focus in relation to the Management of the respective stakeholder relationships.

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

### **Dealing 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 and full year financial results and ending on the date of the announcement(s). The Company has on a voluntary basis, provided quarterly financial performance guidance updates. Two weeks prior to the announcements of the first quarter and third quarter financial performance guidance updates, no dealings in the Company's securities are observed. 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, at all times, to observe the insider trading laws 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 the 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 FY2023, 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 2023.

In our opinion:

- (a) the financial statements set out on pages 60 to 121 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 2023 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  
Mah Kai Leong  
Elaine Beh Pur-Lin  
Seah Hai Yang

(Appointed on 1 February 2024)

### 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		Deemed interests	
	Holdings at beginning of the year	Holdings at end of the year	Holdings at beginning of the year	Holdings at end of the year
<b>The Company</b>				
<i>Ordinary shares</i>				
Cheng Woei Fen	278,997,600	278,997,600	36,167,400	36,167,400
Quek Kian Hui	86,376,800	86,376,800	-	-

# DIRECTORS' STATEMENT

By virtue of Section 7 of the Act, Cheng Woei Fen and Quek Kian Hui are 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 2024.

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.

## DIRECTORS' STATEMENT

### *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.

### *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, Ms Elaine Beh Pur-Lin and Mr Seah Hai Yang (appointed on 1 February 2024).

On 21 February 2019, an aggregate of 2,400,000 share awards were granted to the employee 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 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. No shares awards were cancelled or forfeited.

## DIRECTORS' STATEMENT

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

Details of all share awards of the Company granted pursuant to the Plan as at 31 December 2023 are as follows:

<b>Date of grant of share awards</b>	<b>Share awards outstanding as at 1 January 2023</b>	<b>Share awards granted during the year</b>	<b>Share awards vested during the year</b>	<b>Share awards lapsed during the year</b>	<b>Share awards outstanding as at 31 December 2023</b>
4/3/2021	1,600,000	–	(800,000)	–	800,000

### 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
- Mah Kai Leong, non-executive director
- Elaine Beh Pur-Lin, non-executive director
- Seah Hai Yang, non-executive director (Appointed on 1 February 2024)

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 and half yearly 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.

# DIRECTORS' STATEMENT

In appointing our auditors for the Company and subsidiaries, we have complied with Rules 712 and 715 of the SGX Listing Manual.

## **Auditors**

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

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**Cheng Woei Fen**  
*Director*

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**Quek Kian Hui**  
*Director*

3 April 2024



# 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 2023, 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 material accounting policy information, as set out on pages 60 to 121.

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 2023 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

### *Basis for opinion*

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

### *Key audit matters*

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

# INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY  
MUN SIONG ENGINEERING LIMITED

## **Recognition of revenue on customer contracts (\$71.2 million)**

[Refer to Note 21 'Revenue']

### **The key audit matter**

The Group recognises revenue from contracts with its major customers over time based on the percentage of completion method. 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.

This involves management's estimate of forecast total costs of each contract, which involve a significant degree of judgement.

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

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

We tested 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 SFRS(I)s.

We discussed with Management on the performance of the contracts outstanding at year end, on a sample basis.

We reviewed and challenged management's assessment of estimated costs to complete for outstanding projects.

We verified data used in determining costs to complete and any variable consideration to relevant supporting documents, including correspondence with customers regarding contract variations and claims and by considering historical outcomes for similar contracts.

We assessed the adequacy of disclosures covering the timing and fulfilment of performance obligations, for revenue recognition.

### **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

MEMBERS OF THE COMPANY  
MUN SIONG ENGINEERING LIMITED

## Valuation of non-financial assets

(Refer to Note 4 'Property, plant and equipment')

### The key audit matter

At 31 December 2023, the Group's market capitalisation was below the carrying amount of its net assets. This is an indication that certain non-financial assets of the Group may be impaired.

The Group's non-financial assets are allocated to four cash-generating units (CGUs) – Singapore, Malaysia, Taiwan and North America.

The North America CGU was identified for impairment assessment as a result of losses incurred by the CGU since the incorporation of a subsidiary and subsequent commencement of operations in 2022. Management determined the recoverable amount of the CGU based on its fair value less costs of disposal.

For freehold land and building, management obtained independent external valuations. For machinery, tools and equipment, management determined the fair values based on the replacement cost approach. Management considered the recent quotes from the market and incorporated relevant adjustments to derive their fair values on a comparable basis.

Judgement and estimates are used to determine the appropriateness of valuation methodologies adopted and the reasonableness of the inputs used in the computation of fair value less cost of disposal.

### Findings

We found the identification of CGUs to be based on a reasonable basis.

We found the valuation methodology used to be in line with market valuation practices and key assumptions used by the Group to be balanced.

The valuers are member of recognised professional bodies for valuers and have considered their own independence in carrying out their work. We found the valuation methodologies used are in line with generally accepted market practices and the key assumptions are comparable to market trends and externally derived data.

We found the Group's disclosures in notes to the financial statements to be appropriate.

### How the matter was addressed in our audit

We evaluated the appropriateness of CGUs identified by management based on our understanding of the current business of the Group and the Company.

We reviewed management's assessment of impairment for the North America CGU as follows:

- We evaluated the qualifications and competence of the external valuers. We also read the terms of engagement of the valuers with the Group to determine whether there were any matters that might have affected their objectivity or limited the scope of their work. We considered the valuation methodologies used against those applied by other valuers for similar property types.
- We sighted to recent quotations from suppliers and challenged the basis of those adjustments made by management.

We considered the appropriateness of the disclosures in the financial statements.

# INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY  
MUN SIONG ENGINEERING LIMITED

## *Other information*

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

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

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

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

## *Responsibilities of management and directors for the financial statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

## *Auditors' responsibilities for the audit of the financial statements*

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

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.

# INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY  
MUN SIONG ENGINEERING LIMITED

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Siew Yilin.

## **KPMG LLP**

*Public Accountants and  
Chartered Accountants*

## **Singapore**

3 April 2024

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	Group		Company	
		2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<b>Assets</b>					
Property, plant and equipment	4	34,875	22,139	20,792	13,215
Intangible asset	5	-	-	-	-
Investment properties	6	1,340	1,300	1,340	1,300
Subsidiaries	7	-	-	4,223	4,223
Investment in an equity – accounted investee	8	660	323	622	323
Trade and other receivables	11	-	-	11,101	12,793
<b>Non-current assets</b>		<b>36,875</b>	<b>23,762</b>	<b>38,078</b>	<b>31,854</b>
Inventories	9	111	151	111	140
Contract assets	10	6,960	5,928	4,826	5,335
Trade and other receivables	11	21,660	15,535	28,453	15,854
Cash and cash equivalents	12	9,720	28,647	7,979	23,114
<b>Current assets</b>		<b>38,451</b>	<b>50,261</b>	<b>41,369</b>	<b>44,443</b>
<b>Total assets</b>		<b>75,326</b>	<b>74,023</b>	<b>79,447</b>	<b>76,297</b>
<b>Equity</b>					
Share capital	13	26,254	26,254	26,254	26,254
Translation reserve	14	29	79	65	88
Treasury shares	15	(30)	(42)	(30)	(42)
Share-based compensation reserve	16	(58)	(55)	(58)	(55)
Retained earnings		25,831	28,868	32,647	31,902
<b>Equity attributable to owners of the Company</b>		<b>52,026</b>	<b>55,104</b>	<b>58,878</b>	<b>58,147</b>
<b>Non-controlling interests</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>		<b>52,026</b>	<b>55,104</b>	<b>58,878</b>	<b>58,147</b>
<b>Liabilities</b>					
Loans and borrowings	17	2,451	2,642	2,287	2,624
Provisions	18	541	1,315	541	1,315
Deferred tax liabilities	19	1,069	1,410	1,023	1,410
<b>Non-current liabilities</b>		<b>4,061</b>	<b>5,367</b>	<b>3,851</b>	<b>5,349</b>
Trade and other payables	20	14,246	11,222	11,823	10,534
Contract liabilities	10	380	-	380	-
Loans and borrowings	17	1,415	1,784	1,335	1,754
Provisions	18	2,599	462	2,599	462
Current tax payable		599	84	581	51
<b>Current liabilities</b>		<b>19,239</b>	<b>13,552</b>	<b>16,718</b>	<b>12,801</b>
<b>Total liabilities</b>		<b>23,300</b>	<b>18,919</b>	<b>20,569</b>	<b>18,150</b>
<b>Total equity and liabilities</b>		<b>75,326</b>	<b>74,023</b>	<b>79,447</b>	<b>76,297</b>

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2023

	Note	2023 \$'000	2022 \$'000
Revenue	21	71,207	63,290
Cost of sales		(67,010)	(56,788)
<b>Gross profit</b>		4,197	6,502
Other income	22	2,238	754
Administrative expenses		(8,058)	(5,458)
Other operating expenses		(791)	(1,092)
Impairment loss on trade receivables and contract assets		(38)	(338)
Share of results of an equity-accounted investee		65	317
<b>Results from operating activities</b>		(2,387)	685
Finance income	23	108	255
Finance costs	23	(207)	(131)
<b>(Loss)/Profit before tax</b>	24	(2,486)	809
Tax expense	25	(319)	(438)
<b>(Loss)/Profit for the year</b>		(2,805)	371
<b>(Loss)/Profit attributable to:</b>			
Owners of the Company		(2,805)	371
Non-controlling interests		-	-
<b>(Loss)/Profit for the year</b>		(2,805)	371
<b>Other comprehensive income</b>			
<b>Item that is or may be reclassified subsequently to profit or loss:</b>			
Foreign currency translation difference from foreign operations		(50)	(4)
<b>Total comprehensive income for the year</b>		(2,855)	367
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		(2,855)	367
Non-controlling interests		-	-
<b>Total comprehensive income for the year</b>		(2,855)	367
<b>Earnings per share</b>			
Basic earnings per share (cents)	26	(0.48)	0.06
Diluted earnings per share (cents)	26	(0.48)	0.06

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2023

Group	Attributable to owners of the Company								
	Note	Share	Treasury	Translation	Retained	Share-based	Non-	Total	
		capital	shares	reserve	earnings	compensation			controlling
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
At 1 January 2022		26,254	(65)	83	28,845	(39)	55,078	-	55,078
<b>Total comprehensive income for the year</b>									
Profit for the year		-	-	-	371	-	371	-	371
<b>Other comprehensive income</b>									
Foreign currency translation difference from foreign operations		-	-	(4)	-	-	(4)	-	(4)
<b>Total comprehensive income for the year</b>		-	-	(4)	371	-	367	-	367
<b>Transactions with owners, recognised directly in equity</b>									
<b>Contributions by and distributions to owners</b>									
Dividends	13	-	-	-	(348)	-	(348)	-	(348)
Purchase of treasury shares		-	(33)	-	-	-	(33)	-	(33)
Share-based payment transactions	16	-	56	-	-	(16)	40	-	40
<b>Total transactions with owners</b>		-	23	-	(348)	(16)	(341)	-	(341)
At 31 December 2022		26,254	(42)	79	28,868	(55)	55,104	-	55,104

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



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2023

Group	Note	Attributable to owners of the Company							Total equity \$'000
		Share capital \$'000	Treasury shares \$'000	Translation reserve \$'000	Retained earnings \$'000	Share-based compensation reserve \$'000	Total \$'000	Non-controlling interests \$'000	
		At 1 January 2023	26,254	(42)	79	28,868	(55)	55,104	
<b>Total comprehensive income for the year</b>									
Loss for the year		-	-	-	(2,805)	-	(2,805)	-	(2,805)
<b>Other comprehensive income</b>									
Foreign currency translation difference from foreign operations		-	-	(50)	-	-	(50)	-	(50)
<b>Total comprehensive income for the year</b>		-	-	(50)	(2,805)	-	(2,855)	-	(2,855)
<b>Transactions with owners, recognised directly in equity</b>									
<b>Contributions by and distributions to owners</b>									
Dividends	13	-	-	-	(232)	-	(232)	-	(232)
Purchase of treasury shares		-	(28)	-	-	-	(28)	-	(28)
Share-based payment transactions	16	-	40	-	-	(3)	37	-	37
<b>Total transactions with owners</b>		-	12	-	(232)	(3)	(223)	-	(223)
At 31 December 2023		26,254	(30)	29	25,831	(58)	52,026	-	52,026

The Taiwan Company Law requires the Company's subsidiary, Pegasus Advance Industrial Company Ltd, (incorporated in Taiwan in October 2022) to reserve at least 10% of after-tax profits as legal reserve, which may not be freely distributed as dividends. No legal reserve was recorded by Pegasus Advance Industrial Company Ltd as it is in a net loss position for both financial years ended 31 December 2023 and 31 December 2022.

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2023

	Note	2023 \$'000	2022 \$'000
<b>Cash flows from operating activities</b>			
(Loss)/Profit before tax		(2,486)	809
Adjustments for:			
Depreciation of property, plant and equipment		3,454	3,231
Gain on disposal of property, plant and equipment		(776)	(134)
Unwinding of discount on provision for restoration costs		32	26
Property, plant and equipment written off		193	–
(Reversal of)/Impairment losses on contract assets		(854)	338
Equity-settled share-based payment transactions		38	40
Fair value gain on investment properties		(40)	(30)
(Write back)/provision of impairment losses on trade receivables		38	(534)
Share of results of an equity-accounted investee		(65)	(317)
Interest expense		175	105
Interest income		(108)	(255)
		(399)	3,279
Changes in inventories		40	(32)
Changes in contract assets		(112)	3,419
Changes in contract liabilities		380	(1,418)
Changes in trade and other receivables		(7,957)	8,657
Changes in trade and other payables		3,024	(11,492)
Changes in provisions		804	–
Cash (used in)/generated from operating activities		(4,220)	2,413
Tax paid		(144)	(391)
<b>Net cash (used in)/from operating activities</b>		(4,364)	2,022
<b>Cash flows from investing activities</b>			
Interest received		108	255
Investment in an equity-accounted investee		(299)	–
Net cash outflow on divestment of a subsidiary		–	(9)
Acquisition of property, plant and equipment		(13,370)	(6,775)
Proceeds from disposal of property, plant and equipment		1,227	289
<b>Net cash used in investing activities</b>		(12,334)	(6,240)
<b>Cash flows from financing activities</b>			
Repayment of bank loans		(6,844)	(1,219)
Dividends paid		(232)	(348)
Payment of lease liabilities		(564)	(621)
Proceeds from bank loan		5,600	–
Purchase of treasury shares		(28)	(33)
Interest paid		(178)	(103)
<b>Net cash used in financing activities</b>		(2,246)	(2,324)
<b>Net decrease in cash and cash equivalents</b>		(18,944)	(6,542)
Cash and cash equivalents at 1 January		28,647	35,077
Effect of exchange rate fluctuations on cash held		17	112
<b>Cash and cash equivalents at 31 December</b>	12	9,720	28,647

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2023

## Significant non-cash transactions

During the financial year, the Group acquired property, plant and equipment totalling \$17,629,000 (FY2022: \$8,509,000) of which \$2,463,000 (FY2022: \$1,734,000) were non-cash transactions.

The non-cash transactions comprise:

- i) Construction costs at the Malaysian fabrication yard of \$256,000 (FY2022: \$964,000) that remain unpaid at year end.
- ii) New leases acquired in the current year of \$1,680,000 (FY2022: \$770,000), and
- iii) Additional provision for restoration costs of \$527,000 (FY2022: \$Nil) for 26 Gul Way in FY2023.

There was also a reclassification of \$1,796,000 from FY2022 prepayments to property, plant and equipment as these were completed and delivered in FY2023.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 3 April 2024.

## **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 26 Gul Way, Singapore 629199.

The financial statements of the Group as at and for the year ended 31 December 2023 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 to the consolidated financial statements respectively.

## **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 2023. These amendments to standards and interpretations do 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.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 2 BASIS OF PREPARATION (CONTINUED)

### 2.4 Use of estimates and judgements (Continued)

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

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

- Note 4 – Impairment of property, plant and equipment;
- Note 21 – Revenue recognition: estimate of total contract costs used in determining the percentage of completion; and
- Note 28 – Measurement of expected credit loss (ECL) allowance for trade receivables and contract assets.

#### **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

YEAR ENDED 31 DECEMBER 2023

## 2 BASIS OF PREPARATION (CONTINUED)

### 2.5 Changes in material accounting policies

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

The Group has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2023:

- SFRS(I) 17: *Insurance Contracts*
- Amendments to SFRS(I) 1-12: *Deferred tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to SFRS(I) 1-12: *International Tax Reform – Pillar Two Model Rules*
- Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: *Disclosure of Accounting Policies*
- Amendments to SFRS(I) 1-8: *Definition of Accounting Estimates*

Other than the below, the application of these amendments to accounting standards and interpretations does not have a material effect on the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 3 Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

## 3 MATERIAL 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 consideration transferred (generally measured at fair value); 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 measured at 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.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 3.1 Basis of consolidation (Continued)

#### ***Business combinations (Continued)***

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 for each business combination. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by SFRS(I).

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

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

#### ***Subsidiaries***

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

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

#### ***Transactions eliminated on consolidation***

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## **3 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

### **3.1 Basis of consolidation (Continued)**

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

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

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

Investments in subsidiaries and a joint venture are stated in the Company's statement of financial position at cost less accumulated impairment losses.

### **3.2 Foreign currency**

#### ***Foreign currency transactions***

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

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

#### ***Foreign operations***

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

Foreign currency differences are recognised in other comprehensive income. When a foreign operation is disposed of such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in a joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 3.3 Property, plant and equipment

#### ***Recognition and measurement***

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

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

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

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

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

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

#### ***Subsequent costs***

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

#### ***Depreciation***

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

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land and construction-in-progress are not depreciated.

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## **3 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

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

#### ***Depreciation (Continued)***

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

- Leasehold property 2 to 59 years
- Building 25 to 30 years
- Machinery, tools and equipment 5 to 15 years
- Furniture and office equipment 3 to 10 years
- Motor vehicles 5 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 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.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## **3 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

### **3.5 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

YEAR ENDED 31 DECEMBER 2023

## **3 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

### **3.5 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

YEAR ENDED 31 DECEMBER 2023

## 3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 3.6 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.

### 3.7 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

YEAR ENDED 31 DECEMBER 2023

## **3 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

### **3.7 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).

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 3.7 Financial instruments (Continued)

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

##### **Non-derivative financial assets: Subsequent measurement and gains and losses**

###### *Financial assets at amortised cost*

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

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

###### *Financial liabilities are classified as measured at amortised cost.*

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

#### (iii) Derecognition

##### **Financial assets**

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

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.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## **3 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

### **3.7 Financial instruments (Continued)**

#### **(iii) Derecognition (Continued)**

##### **Interest rate benchmark reform**

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, the Group updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. No immediate gain or loss is recognised. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applies the policies on accounting for modifications to the additional changes.

#### **(iv) 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.

#### **(v) Share capital**

##### *Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with SFRS(I) 1-12.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 3.7 Financial instruments (Continued)

#### (v) Share capital (Continued)

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

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

### 3.8 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

YEAR ENDED 31 DECEMBER 2023

## **3 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

### **3.8 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

YEAR ENDED 31 DECEMBER 2023

## 3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 3.8 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.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## **3 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

### **3.8 Impairment (Continued)**

#### **(ii) Non-financial assets (Continued)**

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

### **3.9 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.

### **3.10 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.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 3.10 Provisions (Continued)

#### (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 the incremental costs of fulfilling the obligation under the contract and an allocation of other costs directly related to fulfilling the contract.

### 3.11 Revenue

#### Services provided

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## **3 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

### **3.11 Revenue (Continued)**

#### **Services provided (Continued)**

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

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

#### **Rental income**

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

### **3.12 Finance income and finance costs**

The Group's finance income and finance costs include:

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

Interest income or expense is recognised using the effective interest method.

### **3.13 Income tax**

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 3.13 Income tax (Continued)

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

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

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

Temporary differences in relation to a right-of-use asset and a lease liability for a specific lease are regarded as a net package (the lease) for the purpose of recognising deferred tax.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the carrying amount of the investment property is presumed to be recovered through sale, and the Group has not rebutted this presumption. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date, and reflects uncertainty related to income taxes, if any.

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

Deferred tax assets are recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 3.14 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.

### 3.15 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.

### 3.16 New standards and interpretations not yet adopted

A number of new accounting standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. However, the Company has not early adopted the new or amended accounting standards in preparing these financial statements.

The following amendments to FRSs are not expected to have a significant impact on the Company's financial statements.

- Amendments to SFRS(I) 1-1: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
- Amendments to SFRS(I) 1-7 and SFRS(I) 7: Supplier Finance Arrangements
- Amendments to SFRS(I) 16: *Lease Liability in a Sale and Leaseback*
- Amendments to SFRS(I) 1-21: *Lack of Exchangeability*



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 4 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold property \$'000	Freehold land \$'000	Building \$'000	Construction-in-progress \$'000	Machinery, tools and equipment \$'000	Furniture and office equipment \$'000	Motor vehicles \$'000	Other assets \$'000	Total \$'000
At 1 January 2022	15,945	-	-	-	32,924	2,976	7,653	523	60,021
Additions	738	542	3,340	1,759	1,534	32	564	-	8,509
Disposals/write-off	-	-	-	-	(1,830)	-	(426)	(368)	(2,624)
Termination of lease	(217)	-	-	-	-	-	-	-	(217)
Effect of movements in exchange rates	(155)	-	-	-	(40)	(3)	(49)	-	(247)
At 31 December 2022	16,311	542	3,340	1,759	32,588	3,005	7,742	155	65,442
At 1 January 2023	16,311	542	3,340	1,759	32,588	3,005	7,742	155	65,442
Transfer	-	-	1,652	(1,652)	-	-	-	-	-
Additions	13,668	-	1,408	-	1,954	175	171	253	17,629
Disposals/write-off	(13,738)	-	-	-	(3,741)	(257)	(599)	(68)	(18,403)
Termination of lease	(846)	-	-	-	-	-	-	-	(846)
Effect of movements in exchange rates	(149)	(10)	(62)	(107)	(169)	(3)	(29)	(1)	(530)
At 31 December 2023	15,246	532	6,338	-	30,632	2,920	7,285	339	63,292
<b>Accumulated depreciation</b>									
At 1 January 2022	12,580	-	-	-	21,697	2,112	5,840	523	42,752
Depreciation	864	-	46	-	1,488	436	397	-	3,231
Disposals/write-off	-	-	-	-	(1,741)	-	(360)	(368)	(2,469)
Termination of lease	(188)	-	-	-	-	-	-	-	(188)
Effect of movements in exchange rates	(5)	-	(1)	-	18	(2)	(33)	-	(23)
At 31 December 2022	13,251	-	45	-	21,462	2,546	5,844	155	43,303

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<b>Group</b>	<b>Leasehold property \$'000</b>	<b>Freehold land \$'000</b>	<b>Building \$'000</b>	<b>Construction-in-progress \$'000</b>	<b>Machinery, tools and equipment \$'000</b>	<b>Furniture and office equipment \$'000</b>	<b>Motor vehicles \$'000</b>	<b>Other assets \$'000</b>	<b>Total \$'000</b>
<b>Accumulated depreciation</b>									
At 1 January 2023	13,251	-	45	-	21,462	2,546	5,844	155	43,303
Depreciation	1,140	-	156	-	1,602	405	143	8	3,454
Disposals/write-off	(13,607)	-	-	-	(3,265)	(253)	(566)	(68)	(17,759)
Termination of lease	(439)	-	-	-	-	-	-	-	(439)
Effect of movements in exchange rates	(17)	-	(3)	-	(111)	(3)	(8)	-	(142)
At 31 December 2023	328	-	198	-	19,688	2,695	5,413	95	28,417
<b>Carrying amounts</b>									
At 1 January 2022	3,365	-	-	-	11,227	864	1,813	-	17,269
At 31 December 2022	3,060	542	3,295	1,759	11,126	459	1,898	-	22,139
At 31 December 2023	14,918	532	6,140	-	10,944	225	1,872	244	34,875

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<b>Company</b>	<b>Leasehold property \$'000</b>	<b>Machinery, tools and equipment \$'000</b>	<b>Furniture and office equipment \$'000</b>	<b>Motor vehicles \$'000</b>	<b>Other assets \$'000</b>	<b>Total \$'000</b>
<b>Cost</b>						
At 1 January 2022	13,807	32,759	3,294	6,940	513	57,313
Additions	692	838	32	85	-	1,647
Disposals	-	(1,830)	-	(426)	(368)	(2,624)
Termination of lease	(217)	-	-	-	-	(217)
Effect of movements in exchange rates	(27)	(32)	-	(45)	-	(104)
At 31 December 2022	14,255	31,735	3,326	6,554	145	56,015
At 1 January 2023	14,255	31,735	3,326	6,554	145	56,015
Additions	13,507	27	175	170	-	13,879
Disposals	(13,578)	(7,452)	(257)	(746)	(68)	(22,101)
Termination of lease	(679)	-	-	-	-	(679)
Effect of movements in exchange rates	(13)	(5)	-	(14)	-	(32)
At 31 December 2023	13,492	24,305	3,244	5,964	77	47,082
<b>Accumulated depreciation</b>						
At 1 January 2022	12,598	21,654	2,491	5,184	513	42,440
Transfer	783	1,456	413	375	-	3,027
Depreciation	-	(1,741)	-	(360)	(368)	(2,469)
Disposals/write-off	(188)	-	-	-	-	(188)
Effect of movements in exchange rates	2	19	-	(31)	-	(10)
At 31 December 2022	13,195	21,388	2,904	5,168	145	42,800
<b>Accumulated depreciation</b>						
At 1 January 2023	13,195	21,388	2,904	5,168	145	42,800
Depreciation	1,079	1,320	401	53	-	2,853
Disposals/write-off	(13,578)	(4,563)	(257)	(591)	(68)	(19,057)
Termination of lease	(279)	-	-	-	-	(279)
Effect of movements in exchange rates	(4)	(18)	-	(5)	-	(27)
At 31 December 2023	413	18,127	3,048	4,625	77	26,290
<b>Carrying amounts</b>						
At 1 January 2022	1,209	11,105	803	1,756	-	14,873
At 31 December 2022	1,060	10,347	422	1,386	-	13,215
At 31 December 2023	13,079	6,178	196	1,339	-	20,792

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Management has identified the CGUs according to the countries in which the Group operates in, namely Singapore, Malaysia, Taiwan and North America.

In the current year, in view of the Group's market capitalisation being lower than its net assets as at the balance sheet date, the Group performed an assessment to determine if there are any indicators of impairment of each of the Group's CGUs. The Group identified indicators of impairment for the North America CGU.

Management has estimated the recoverable amounts of property, plant and equipment in North America CGU based on their fair value less cost of disposal approach.

For freehold land and building, valuations were carried out by independent external valuers. The valuers have recognised professional qualifications and relevant experiences in the location and categories of property being valued

For machinery, tools and equipment, the fair value was determined based on replacement cost approach. Management considered the recent quotes from the market and incorporated relevant adjustments to derive the fair values at the reporting date.

The recoverable amount is more than the carrying amount and no impairment loss was recognised during the year.

### **Measurement of fair value**

#### **(i) Fair value hierarchy**

The non-recurring fair value measurement for the North America CGU freehold land and building and machinery, tools and equipment has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see Note 4(ii)).

#### **(ii) Valuation technique**

The following table shows the key unobservable inputs used in the valuation model for deriving level 3 fair value:

<b>Type</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Inter-relationship between key unobservable inputs and fair value measurement</b>
Freehold land and building	Direct comparison method	Transacted prices per square metre of comparable properties in close proximity on recent market transactions <sup>(1)</sup>	The estimated fair value varies with different adjustment factors used
Machinery, tools and equipment	Replacement cost approach	This approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.	The estimated fair value varies with different adjustment factors used

(1) Adjusted for any differences in location, tenure, size and conditions of the specific property.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### *Impairment of property, plant and equipment (Continued)*

#### Measurement of fair value (Continued)

#### (ii) Valuation technique (Continued)

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

	<b>2022</b>
	<b>%</b>
Post-tax discount rate	10.2
Sales growth rate	12.0-16.0
Forecast period	<u>5 years</u>

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 in the previous year.

## 5 INTANGIBLE ASSET

	<b>Licensing rights \$'000</b>
<b>Group and Company</b>	
<b>Cost</b>	
At 1 January 2022, 31 December 2022 and 31 December 2023	<u>1,487</u>
<b>Accumulated amortisation</b>	
At 1 January 2022, 31 December 2022 and 31 December 2023	<u>1,487</u>
<b>Carrying amounts</b>	
At 1 January 2022, 31 December 2022 and 31 December 2023	<u>-</u>

#### Impairment of intangible asset

For the purpose of impairment testing, the intangible asset is allocated to the tube coating CGU. In the previous year, the intangible asset has reached the end of its useful life, hence no assessment of indicators of reversal of impairment was required.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 6 INVESTMENT PROPERTIES

	<b>Group and Company</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
At 1 January	1,300	1,270
Fair value gain	40	30
At 31 December	<u>1,340</u>	<u>1,300</u>

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 \$1,340,000 (2022: \$1,300,000) 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.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 7 SUBSIDIARIES

	Company	
	2023 \$'000	2022 \$'000
Unquoted equity investments, at cost	5,979	5,979
Allowance for impairment loss	(1,756)	(1,756)
	<u>4,223</u>	<u>4,223</u>

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Principal place of business/ Country of incorporation	Effective equity held by the Company	
			2023 %	2022 %
<b>Directly held by the Company</b>				
OHM Engineering Pte Ltd <sup>(1)</sup>	Mechanical and electrical engineering services	Singapore	100	100
Pegasus Advance Engineering Pte. Ltd. <sup>(1)</sup>	Investment holding company	Singapore	100	100
Mun Siong Engineering Sdn Bhd <sup>(2)</sup>	Provision of engineering services and contractor to the process industries in Malaysia	Malaysia	100	100
Pegasus Advance Industrial Company Ltd <sup>(1),(4)</sup>	Provision of engineering services and contractor to the process industries in Taiwan	Taiwan	100	100
<b>Subsidiary of Mun Siong Engineering Sdn Bhd</b>				
Pegasus Advance Engineering Sdn Bhd <sup>(2),(3)</sup>	Provision of project management and mechanical engineering services in Malaysia	Malaysia	49	49

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 7 SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Principal place of business/ Country of incorporation	Effective equity held by the Company	
			2023 %	2022 %
<b>Subsidiaries of Pegasus Advance Engineering Pte. Ltd.</b>				
Pegasus Advance Engineering LLP (in the process of being liquidated)	Provision of engineering, procurement and construction services as well as contractor to the process industries in India	India	100	100
Pegasus Advance Engineering (Netherlands) BV	Investment holding company	Netherlands	100	100
Pegasus Advance Engineering (US) Inc	Investment holding company	United States	100	100
Pegasus Industrial Midwest Limited Liability Company <sup>(1)(4)</sup>	Provision of engineering services and contractor to the process industries in the State of Illinois, USA	United States	100	100

(1) Audited by KPMG LLP.

(2) Audited by member firms of KPMG International.

(3) 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 IAH 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.

(4) Audited by KPMG LLP in Singapore for group reporting purposes. Not required to be audited by laws of the country of incorporation.

### Impairment loss

In 2023 and 2022, the Company did not identify any indicator of impairment or reversal of impairment.

## 8 INVESTMENT IN AN EQUITY-ACCOUNTED INVESTEE

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Interest in a joint venture	660	323	622	323

Details of the joint venture is as follows:

Interest in joint venture	Principal place of business/ Country of incorporation	Effective equity held by the Company	
		2023 %	2022 %
HIMS Integrated Services Sdn Bhd ("HIMS")	Malaysia	49	49



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 8 INVESTMENT IN AN EQUITY-ACCOUNTED INVESTEE (CONTINUED)

In 2023, HIMS increased its paid-up share capital from RM1,000,000 to RM3,000,000. The Company subscribed to the additional shares proportionately to its 49.0% equity interest.

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

	<b>Group</b>	
	<b>2023</b> <b>\$'000</b>	<b>2022</b> <b>\$'000</b>
Revenue	3,463	274
Profit <sup>a</sup> from continuing operations, comprising total comprehensive income	132	647
a Includes:		
- depreciation of \$114,000 (2022: \$21,000)		
- write back of impairment loss on trade and other receivables of nil (2022: \$653,000)		
Non-current assets	253	179
Current assets <sup>b</sup>	1,688	1,498
Non-current liabilities	(24)	-
Current liabilities – trade and other payables and provisions	(895)	(1,342)
<b>Net assets</b>	<b>1,022</b>	<b>335</b>
b Includes cash and cash equivalents of \$421,000 (2022: \$93,000)		
<b>Group's interest in net assets of an investee at the beginning of year</b>	<b>323</b>	<b>1</b>
Increase in investment	299	-
Share of total comprehensive income	38	322
<b>Carrying amount of interest in an investee at end of the year</b>	<b>660</b>	<b>323</b>

### Impairment loss and subsequent reversal

In the previous year, the Company assessed the carrying amount of its investment in a joint venture for indicators of reversal of impairment. Based on the assessment, the Company reversed the impairment loss of \$322,000 previously recognised on HIMS following the recovery of trade receivables from a customer. The recoverable amount of HIMS 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.

## 9 INVENTORIES

	<b>Group</b>		<b>Company</b>	
	<b>2023</b> <b>\$'000</b>	<b>2022</b> <b>\$'000</b>	<b>2023</b> <b>\$'000</b>	<b>2022</b> <b>\$'000</b>
Consumables, at cost	111	151	111	140

In 2023, changes in consumables recognised as cost of sales amounted to \$221,624 (2022: \$177,443).

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 10 CONTRACT ASSETS/(CONTRACT LIABILITIES)

	Note	Group		Company	
		2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Contract assets		7,097	6,985	4,826	5,335
Allowance for impairment		(137)	(1,057)	-	-
Net contract assets	(i)	6,960	5,928	4,826	5,335
Contract liabilities	(ii)	(380)	-	(380)	-
		6,580	5,928	4,446	5,335

(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.

(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.

Significant changes in the contract assets and contract liabilities balances during the year are as follows:

Group	Contract assets		Contract liabilities	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Revenue recognised that was included in contract liabilities at the beginning of the year	-	-	-	1,418
Increase due to cash received and progress billings, excluding amounts recognised as revenue during the year	-	-	(380)	-
Contract asset reclassified to trade receivables	(5,928)	(9,621)	-	-
Changes in measurement of progress	5,687	5,080	-	-
Reversal of impairment loss/(impairment loss) on contract asset	854	(338)	-	-
Cumulative catch-up as a result of contract modifications	419	1,186	-	-

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 11 TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<b>Non-current</b>					
Amounts due from subsidiaries – non-trade					
- Interest bearing	(a)	-	-	2,710	11,430
- Interest-free	(b)	-	-	8,391	1,363
		-	-	11,101	12,793
<b>Current</b>					
Trade receivables		19,683	12,015	18,799	11,337
Allowance for impairment losses		(38)	(29)	-	(29)
Net trade receivables		19,645	11,986	18,799	11,308
Amounts due from subsidiaries – non-trade,					
- Interest bearing	(c)	-	-	7,553	-
- Interest-free	(d)	-	-	387	1,500
Deposits		1,474	1,635	1,304	1,249
Other receivables		164	36	139	33
		21,283	13,657	28,182	14,090
Prepayments		377	1,878	271	1,764
		21,660	15,535	28,453	15,854

(a) In respect of interest-bearing amounts due from subsidiaries, the interest ranges from 2.05% to 7.32% (2022: 2.05% to 5.18%) per annum and are repayable in 2025-2026 (2022: 2024-2025).

(b) As at 31 December 2023, these amounts were assessed to be collectible after 12 months from the reporting date, therefore they were classified as 'non-current' in the statement of financial position.

The non-trade interest-free amounts due from subsidiaries are measured at face value as it is unsecured, interest-free, has no fixed terms of repayment and it is not possible to estimate when the loan repayments will take place.

(c) In respect of the interest-bearing amounts due from subsidiaries, the interest ranges from 2.05% to 6.80% per annum and are repayable in 2024.

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

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.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 12 CASH AND CASH EQUIVALENTS

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Cash at bank and on hand	6,718	11,593	4,977	9,126
Fixed deposits	3,002	17,054	3,002	13,988
Cash and cash equivalents in the consolidated statement of cash flows	9,720	28,647	7,979	23,114

Fixed deposits placed with financial institutions have maturity periods within one to two months (2022: one to three months) from the financial year end and interest rates ranged from 3.51% to 5.15% (2022: 0.65% to 3.80%) 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.

## 13 SHARE CAPITAL

	Ordinary shares	
	2023 Number of shares '000	2022 Number of shares '000
<b>Company</b>		
In issue at 1 January and 31 December	581,546	581,546

### *Ordinary shares*

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

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

### *Dividends*

The following tax exempt (one-tier) dividends were declared and paid:

	Company	
	2023 \$'000	2022 \$'000
<b>Paid by the Company to owners of the Company</b>		
0.04 cents per ordinary share (2022: 0.06 cents), comprising a final dividend of 0.04 cents per ordinary share (2022: 0.04 cents) and a special dividend of Nil cents per ordinary share (2022: 0.02 cents)	232	348

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 13 SHARE CAPITAL (CONTINUED)

### *Ordinary shares (Continued)*

#### *Dividends (Continued)*

After the respective reporting dates, a final tax exempt (one-tier) dividend is proposed by the directors. This proposed final tax exempt dividend has not been recognised as at year end and will be submitted for shareholders' approval at the forthcoming Annual General Meeting of the Company in 2024.

	<b>Company</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
A first and final dividend of 0.04 (2022: 0.04) cents per ordinary share	232	232

### *Capital management*

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

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 2023, the Group held 834,000 (2022: 834,000) of the Company's shares.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 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 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 are as follows:

- a) The first tranche of the Award in respect of 800,000 shares were vested after financial year ended 31 December 2021;
- b) The second tranche of the Award in respect of 800,000 shares were vested 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.

As the pre-determined performance conditions were met in 2022, the second tranche of the Award in respect of 800,000 shares were vested to the employee under the MSE PSP.

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

For the current financial year, the Group has recognised a share-based compensation expense of \$37,000 (2022: \$40,000) in relation to the MSE PSP.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 17 LOANS AND BORROWINGS

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<b>Non-current liabilities</b>				
Lease liabilities	1,525	446	1,361	428
Bank loans – unsecured	926	2,196	926	2,196
	2,451	2,642	2,287	2,624
<b>Current liabilities</b>				
Lease liabilities	145	540	65	510
Bank loans – unsecured	1,270	1,244	1,270	1,244
	1,415	1,784	1,335	1,754
<b>Total loans and borrowings</b>	<b>3,866</b>	<b>4,426</b>	<b>3,622</b>	<b>4,378</b>

### Terms and debt repayment schedule

	Currency	Nominal interest rate %	Year of maturity	Face value \$'000	Carrying amount \$'000
<b>Group</b>					
<b>2023</b>					
Lease liabilities	SGD	2.3 to 5.3	2024 – 2040	2,190	1,426
Lease liabilities	TWD	1.9	2024 – 2026	251	244
Bank loans	SGD	2.0 to 2.1	2025	2,236	2,196
				4,677	3,866
<b>2022</b>					
Lease liabilities	SGD	1.6 to 3.5	2023 – 2027	963	938
Lease liabilities	MYR	3.5	2023 – 2024	49	48
Bank loans	SGD	2.0 to 2.1	2025	3,539	3,440
				4,551	4,426
<b>Company</b>					
<b>2023</b>					
Lease liabilities	SGD	2.3 to 5.3	2024 – 2040	2,190	1,426
Bank loans	SGD	2.0 to 2.1	2025	2,236	2,196
				4,426	3,622
<b>2022</b>					
Lease liabilities	SGD	1.6 to 3.5	2023 – 2027	963	938
Bank loans	SGD	2.0 to 2.1	2025	3,539	3,440
				4,502	4,378

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

YEAR ENDED 31 DECEMBER 2023

## 17 LOANS AND BORROWINGS (CONTINUED)

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

Group	Lease liabilities \$'000	Bank loans \$'000	Total \$'000
<b>At 1 January 2023</b>	986	3,440	4,426
<b>Changes from financing cash flows</b>			
Payment of lease liabilities	(564)	–	(564)
Repayment of bank loans	–	(6,844)	(6,844)
Interest paid	(97)	(81)	(178)
Proceed from bank loans	–	5,600	5,600
<b>Total changes from financing cash flows</b>	(661)	(1,325)	(1,986)
<b>The effect of changes in foreign exchange</b>	(11)	–	(11)
<b>Other changes</b>			
<b>Liability-related</b>			
Termination of lease	(418)	–	(418)
New leases	1,680	–	1,680
Interest expense	94	81	175
<b>Total liability-related other changes</b>	1,356	81	1,437
<b>At 31 December 2023</b>	1,670	2,196	3,866
<b>At 1 January 2022</b>	870	4,662	5,532
<b>Changes from financing cash flows</b>			
Payment of lease liabilities	(621)	–	(621)
Repayment of bank loans	–	(1,219)	(1,219)
Interest paid	(19)	(84)	(103)
<b>Total changes from financing cash flows</b>	(640)	(1,303)	(1,943)
<b>The effect of changes in foreign exchange</b>	(9)	–	(9)
<b>Other changes</b>			
<b>Liability-related</b>			
Termination of lease	(29)	–	(29)
Lease modification	46	–	46
New leases	724	–	724
Interest expense	24	81	105
<b>Total liability-related other changes</b>	765	81	846
<b>At 31 December 2022</b>	986	3,440	4,426



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 18 PROVISIONS

	<b>Group and Company</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Provisions</b>		
Non-current	541	1,315
Current	2,599	462
	<u>3,140</u>	<u>1,777</u>

Provisions for the year comprise:

- (i) Provision for restoration costs

	<b>Group and Company</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance at 1 January	1,315	1,289
Additional	1,247	-
Unwinding of discount	32	26
Balance at 31 December	<u>2,594</u>	<u>1,315</u>

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

	<b>Group and Company</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance at 1 January	462	462
Additional	84	-
Balance at 31 December	<u>546</u>	<u>462</u>

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.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 19 DEFERRED TAX (ASSETS)/LIABILITIES

Movements in temporary differences during the year are as follows:

	<b>At 1 January 2022 \$'000</b>	<b>Recognised in profit or loss (Note 25) \$'000</b>	<b>At 31 December 2022 \$'000</b>	<b>Recognised in profit or loss (Note 25) \$'000</b>	<b>At 31 December 2023 \$'000</b>
<b>Group</b>					
<i>Deferred tax (assets)</i>					
Unutilised capital allowances	–	–	–	(56)	(56)
Provisions	(95)	43	(52)	9	(43)
	(95)	43	(52)	(47)	(99)
<i>Deferred tax liabilities</i>					
Property, plant and equipment	1,426	36	1,462	(294)	1,168
	1,331	79	1,410	(341)	1,069
<b>Company</b>					
<i>Deferred tax assets</i>					
Provisions	(95)	43	(52)	9	(43)
<i>Deferred tax liabilities</i>					
Property, plant and equipment	1,426	36	1,462	(396)	1,066
	1,331	79	1,410	(387)	1,023

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:

	<b>Group</b>		<b>Company</b>	
	<b>2023 \$'000</b>	<b>2022 \$'000</b>	<b>2023 \$'000</b>	<b>2022 \$'000</b>
Deferred tax liabilities	1,069	1,410	1,023	1,410

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.

	<b>Group</b>	
	<b>2023 \$'000</b>	<b>2022 \$'000</b>
Deductible temporary differences	258	1,074

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 19 DEFERRED TAX (ASSETS)/LIABILITIES (CONTINUED)

### Deferred tax related to assets and liabilities arising from a single transaction

The Group has adopted Amendments to SFRS(I)1-12: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* from 1 January 2023. The amendments narrow the scope of initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – eg. leases and decommissioning liabilities.

For leases, an entity is required to recognise the associated deferred tax asset and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur on or after the beginning of the earliest period presented.

The Group previously accounted for deferred tax on leases by applying the “integrally linked” approach, resulting in similar outcome as under the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. However, there was no impact on the statement of financial position because the balances qualify for offset under paragraph 74 of SFRS(I)1-12. There was also no impact on the opening retained earnings as at 1 January 2022 as a result of the change.

### Global minimum top-up tax

The amendments to SFRS(I)1-12: *International Tax Reform – Pillar Two Model Rules* provide a temporary mandatory exception from deferred tax accounting for the top-up tax that may arise from the jurisdictional adoption of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD), and requires new disclosures about the new Pillar Two tax exposure.

The mandatory exception is effective immediately and applies retrospectively. However, the amendments have no impact on the Group as the Group’s consolidated revenue is less than EUR 750 million/year and it is not in scope of the Pillar Two model rules.

## 20 TRADE AND OTHER PAYABLES

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Trade payables	6,366	3,099	5,334	2,583
Amounts due to subsidiaries				
– trade	–	–	1,872	1,944
– non-trade	–	–	25	125
Other payables and accruals	7,880	8,123	4,592	5,882
	<u>14,246</u>	<u>11,222</u>	<u>11,823</u>	<u>10,534</u>

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 21 REVENUE

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue from contracts with customers	71,207	63,290

As at 31 December 2023, the Group has revenue of \$4,183,683 (2022: \$5,101,595) 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.

### Disaggregation of revenue

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

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Primary geographical markets</b>		
Singapore	60,409	51,966
Indonesia	661	921
Malaysia	5,431	3,850
Taiwan	2,538	6,341
North America	2,168	212
	71,207	63,290
<b>Timing of revenue recognition</b>		
At a point in time	48,920	40,718
Over time	22,287	22,572
	71,207	63,290

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 22 OTHER INCOME

	Group	
	2023 \$'000	2022 \$'000
Rental income	199	46
Gain on disposal of property, plant and equipment	776	134
Government grants	331	216
Sale of scraps and pinnacle pigs	789	175
Others	143	183
	2,238	754

## 23 FINANCE INCOME AND FINANCE COSTS

	Group	
	2023 \$'000	2022 \$'000
<b>Finance income</b>		
Interest income	108	255
<b>Finance costs</b>		
Financial liabilities measured at amortised cost – interest expense	(175)	(105)
Unwinding of discount on provision for restoration costs	(32)	(26)
	(207)	(131)

## 24 (LOSS)/PROFIT BEFORE TAX

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

	Note	Group	
		2023 \$'000	2022 \$'000
Staff costs		40,814	35,298
Contribution to defined contribution plans included in staff costs		1,155	979
Equity-settled share-based payment transactions		37	40
Depreciation of property, plant and equipment	4	3,454	3,231
Operating expenses arising from rental of investment properties		15	14
Audit fees paid to:			
– auditors of the Company		294	222
– other auditors		10	11
Non-audit fees paid to auditors of the Company		3	7
Provision/(write back) of impairment losses on trade receivables		38	(534)
(Reversal of)/Impairment losses on contract assets	10	(854)	338
Monetary penalties <sup>(1)</sup>		49	294
Fair value gain on investment properties		(40)	(30)
Net foreign exchange loss		661	1,123

(1) Following the allegations of bribery against a former consultant who was engaged by the Group's Taiwan branch, its customer imposed penalties on the Taiwan branch. These penalties include the demand for the return of bid deposits, penalties and a 3-year suspension. The monetary penalties of \$294,000 in 2022 had been deducted from the contract sums of the Group's existing contracts with the customer. An additional penalty of \$49,000 was paid to customer during the year.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 25 TAX EXPENSE

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current tax expense</b>		
Current year	626	391
Under/(over)-provision in respect of prior years	34	(32)
	660	359
<b>Deferred tax (credit)/expense</b>		
Origination and reversal of temporary differences	(341)	79
Total tax expense	319	438

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Reconciliation of effective tax rate</b>		
(Loss)/profit before tax	(2,486)	809
Tax using the Singapore tax rate of 17% (2022: 17%)	(423)	137
Effect of tax rates in foreign jurisdictions	(53)	(23)
Non-deductible expenses	1,414	804
Tax exempt income	(496)	(402)
Current year losses for which no deferred tax assets is recognised	(157)	(46)
Under/(over) provision in respect of prior years	34	(32)
	319	438

## 26 EARNINGS PER SHARE

### **Basic earnings per share**

The calculation of basic earnings per share at 31 December 2023 was based on the profit attributable to ordinary shareholders and a weighted-average number of ordinary shares outstanding less treasury shares as follows:

*Profit attributable to ordinary shareholders*

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
(Loss)/Profit for the year	(2,805)	371

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 26 EARNINGS PER SHARE (CONTINUED)

### *Basic earnings per share (Continued)*

*Weighted-average number of ordinary shares*

	<b>Number of shares 2023 '000</b>	<b>Number of shares 2022 '000</b>
Issued ordinary shares at 1 January	580,409	580,049
Effect of treasury shares	354	360
Weighted-average number of ordinary shares during the year	<u>580,763</u>	<u>580,409</u>

### *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 2023 and 2022.

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 2023 and 2022.

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

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

	<b>2023 \$'000</b>	<b>2022 \$'000</b>
External revenue	71,207	63,290
Interest income	108	255
Interest expenses	175	105
Depreciation of property, plant and equipment	3,454	3,231
Reportable segment (loss)/profit before tax	<u>(2,790)</u>	<u>416</u>
Reportable segment assets	69,358	69,244
Capital expenditure	17,629	8,509
Reportable segment liabilities	<u>21,632</u>	<u>17,425</u>

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 27 OPERATING SEGMENT (CONTINUED)

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

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Revenues</b>		
Consolidated revenue	71,207	63,290
<b>(Loss)/Profit</b>		
Total (loss)/profit for reportable segment	(2,790)	416
Share of results of an equity-accounted investee	65	317
Fair value gain on investment properties	40	30
Unallocated segment profits	199	46
Consolidated (loss)/profit before tax	(2,486)	809
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>		
Total assets for reportable segment	69,358	69,244
Investment properties	1,340	1,300
Investment in an equity-accounted investee	660	323
Right-of-use assets	3,968	3,156
Consolidated total assets	75,326	74,023
<b>Liabilities</b>		
Total liabilities for reportable segment	21,632	17,425
Current tax payable	599	84
Deferred tax liabilities	1,069	1,410
Consolidated total liabilities	23,300	18,919

### Major customers

During the financial year ended 31 December 2023, revenue from three major customers of the Group totalled approximately \$39,638,000 (2022: \$33,154,000), representing 56% (2022: 52%) 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:

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Customer 1	16,835	16,919
Customer 2	15,208	10,107
Customer 3	7,595	6,128
	39,638	33,154



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 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

In addition, the Group has identified climate risk as an emerging risk that has a growing impact on the Group's activities.

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

### **Risk management framework**

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

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

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

### **Credit risk**

Credit risk is the 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.

Impairment losses on financial assets and contract assets recognised in profit or loss were as follows:

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Impairment loss of trade receivables and contract assets	38	338

### *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 \$11,530,000 (2022: \$9,671,000) of the carrying value of trade receivables and contract assets as at 31 December 2023. No significant credit risk exposure is expected based on historical data of payment statistics from these customers.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 28 FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit risk (Continued)

#### *Trade receivables and contract assets (Continued)*

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, Malaysia and North America.

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.

There is no allowance for doubtful debts arising from non-trade amounts due from subsidiaries as the ECL is not material.

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 was as follows:

	<b>Group</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Not credit- impaired \$'000</b>	<b>Credit- impaired \$'000</b>	<b>Not credit- impaired \$'000</b>	<b>Credit- impaired \$'000</b>
External credit ratings from S&P at least A+	11,530	-	11,006	-
Other customers:				
- Four or more years' trading history with the Group	9,685	-	3,841	-
- Less than four years' trading history with the Group	5,565	-	4,153	-
<b>Total gross carrying value</b>	<b>26,780</b>	<b>-</b>	<b>19,000</b>	<b>-</b>
Loss allowance	(175)	-	(1,086)	-
	<u>26,605</u>	<u>-</u>	<u>17,914</u>	<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 28 FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit risk (Continued)

*Trade receivables and contract assets (Continued)*

*Exposure to credit risk (Continued)*

	Company			
	2023		2022	
	Not credit- impaired \$'000	Credit- impaired \$'000	Not credit- impaired \$'000	Credit- impaired \$'000
External credit ratings from S&P at least A+ Other customers:	11,530	-	11,006	-
- Four or more years' trading history with the Group	9,685	-	3,841	-
- Less than four years' trading history with the Group	2,410	-	1,825	-
<b>Total gross carrying value</b>	23,625	-	16,672	-
Loss allowance	-	-	(29)	-
	23,625	-	16,643	-

*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:

	2023 \$'000	2022 \$'000
<b>Group</b>		
<b>Individual impairments</b>		
At 1 January as per SFRS(I) 9	1,086	1,382
Impairment loss recognised	38	338
Impairment loss written back	(854)	(534)
Foreign exchange difference	(95)	(100)
At 31 December as per SFRS(I) 9	175	1,086

As at 31 December 2022, the Group recorded a provision for impairment on contract assets of \$1,057,000. The contract assets related to completed purchase orders issued by Petronas prior to 1 April 2022 that were pending acceptance of work performed before final billing to Petronas.

During the year, arising from a settlement on the billing and payment arrangement between all parties, the Group received payments from Petronas amounting to \$854,000, resulting in the provision to be written back by the same amount.

The Group is still waiting for approval on the remaining contract assets impaired of \$137,000, and hence has not reversed the provision as at 31 December 2023.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 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
<b>Group</b>				
<b>31 December 2023</b>				
<b>Non-derivative financial liabilities</b>				
Loans and borrowings	3,866	(4,677)	(1,528)	(3,149)
Trade and other payables	14,246	(14,246)	(14,246)	-
	18,112	(18,923)	(15,774)	(3,149)
<b>31 December 2022</b>				
<b>Non-derivative financial liabilities</b>				
Loans and borrowings	4,426	(4,551)	(1,860)	(2,691)
Trade and other payables	11,222	(11,222)	(11,222)	-
	15,648	(15,773)	(13,082)	(2,691)
<b>Company</b>				
<b>31 December 2023</b>				
<b>Non-derivative financial liabilities</b>				
Loans and borrowings	3,622	(4,426)	(1,444)	(2,982)
Trade and other payables	11,823	(11,823)	(11,823)	-
	15,445	(16,249)	(13,267)	(2,982)
<b>31 December 2022</b>				
<b>Non-derivative financial liabilities</b>				
Loans and borrowings	4,378	(4,502)	(1,830)	(2,672)
Trade and other payables	10,534	(10,534)	(10,534)	-
	14,912	(15,036)	(12,364)	(2,672)

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 28 FINANCIAL RISK MANAGEMENT (CONTINUED)

### Market risk

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

### Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currency in which these transactions primarily are denominated is the United States dollar (USD).

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

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<b>USD</b>				
Trade and other receivables	655	988	655	559
Cash and cash equivalents	2,237	2,706	2,223	1,752
Trade and other payables	(79)	(203)	(79)	(73)
Net exposure	2,813	3,491	2,799	2,238

### Sensitivity analysis

A 10% strengthening of the Singapore dollar, as indicated below, against USD at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2022.

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<b>USD</b>				
<b>Profit or (loss)</b>	(281)	(349)	(280)	(224)

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 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:

	<b>Nominal amount</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Group</b>		
<b>Fixed rate instruments</b>		
Cash and cash equivalents	3,002	17,054
Bank loans	(2,196)	(3,440)
Lease liabilities	(1,670)	(986)
	(864)	12,628
<b>Company</b>		
<b>Fixed rate instruments</b>		
Cash and cash equivalents	3,002	13,988
Amounts due from subsidiaries	(2,710)	(11,430)
Bank loans	(2,196)	(3,440)
Lease liabilities	(1,426)	(938)
	(3,330)	(1,820)

#### *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

YEAR ENDED 31 DECEMBER 2023

## 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
<b>Group</b>					
<b>31 December 2023</b>					
Trade and other receivables*	11	21,283	–	21,283	21,283
Cash and cash equivalents	12	9,720	–	9,720	9,720
		31,003	–	31,003	31,003
Bank loans	17	–	2,196	2,196	2,236
Trade and other payables	20	–	14,246	14,246	14,246
		–	16,442	16,442	16,482
<b>31 December 2022</b>					
Trade and other receivables*	11	13,657	–	13,657	13,657
Cash and cash equivalents	12	28,647	–	28,647	28,647
		42,304	–	42,304	42,304
Bank loans	17	–	3,440	3,440	3,539
Trade and other payables	20	–	11,222	11,222	11,222
		–	14,662	14,662	14,761

\* Excludes prepayments.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 28 FINANCIAL RISK MANAGEMENT (CONTINUED)

### Accounting classifications and fair values (Continued)

*Fair values versus carrying amounts (Continued)*

	Note	Amortised cost \$'000	Other financial liabilities \$'000	Total carrying amount \$'000	Fair value \$'000
<b>Company</b>					
<b>31 December 2023</b>					
Trade and other receivables*	11	39,283	–	39,283	39,283
Cash and cash equivalents	12	7,979	–	7,979	7,979
		47,262	–	47,262	47,262
Bank loans	17	–	2,196	2,196	2,236
Trade and other payables	20	–	11,823	11,823	11,823
		–	14,019	14,019	14,059
<b>31 December 2022</b>					
Trade and other receivables*	11	26,883	–	26,883	26,883
Cash and cash equivalents	12	23,114	–	23,114	23,114
		49,997	–	49,997	49,997
Bank loans	17	–	3,440	3,440	3,539
Trade and other payables	20	–	10,534	10,534	10,534
		–	13,974	13,974	14,073

\* Excludes prepayments.

### Climate risk

'Climate-related risk' are potential negative impacts on the Group arising from climate change. Climate-related risks have an impact on the principal risk categories, but due to their pervasive nature have been identified and managed by the Group on an overall basis.

The Group distinguishes between physical and transition risks. Physical risks arises as the result of acute weather events such as hurricane, floods, and wildfires, and longer-term shifts in climate patterns, such as sustained higher temperatures, heat waves, droughts and rising sea levels. Transition risk arise as a result of measures taken to mitigate the effects of climate change and transition to a low-carbon economy – e.g. changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products and services due to changes in consumer behaviour and investor demand.

The Board of Directors are responsible for developing group-wide policies, processes and controls to incorporate climate risks in the management of principal risk categories. The Group has developed a climate risk framework for:

- identifying risk factors and assessing their potential impact on the Group's financial statements; and
- allocating responsibilities for managing each identified risk factor.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 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) *Property, plant and equipment*

Fair value less costs to sell, which is determined for impairment testing purposes for North America CGU is discussed in Note 4.

### (b) *Investment properties*

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

### (c) *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.

### (d) *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:

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Directors' fees	116	119
Short-term employee benefits	1,791	1,992
	1,907	2,111

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 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:

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Transactions with an equity-accounted investee</b>		
Revenue from contract (rendering of services)	4,218	3,399
Management fees	(73)	(114)
	<u>4,145</u>	<u>3,285</u>

## 31 LEASES

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

The Group leases a piece of land from Jurong Town Corporation ("JTC") at 26 Gul Way for a term of 16 years and 10 months with effect from February 2023. The lease will end on 31 December 2040.

The Group leases office equipment with contract term of 5 years.

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).

	<b>Leasehold property \$'000</b>	<b>Office equipment \$'000</b>	<b>Total \$'000</b>
<b>Group</b>			
<b>2023</b>			
Balance at 1 January	3,116	40	3,156
Additions to right-of-use assets	2,207	–	2,207
Termination of lease	(408)	–	(408)
Depreciation charge for the year	(765)	(31)	(796)
Effect of movements in exchange rates	(191)	–	(191)
<b>Balance at 31 December</b>	<u>3,959</u>	<u>9</u>	<u>3,968</u>
<b>2022</b>			
Balance at 1 January	3,403	62	3,465
Additions to right-of-use assets	738	32	770
Termination of lease	(29)	–	(29)
Depreciation charge for the year	(829)	(54)	(883)
Effect of movements in exchange rates	(167)	–	(167)
<b>Balance at 31 December</b>	<u>3,116</u>	<u>40</u>	<u>3,156</u>

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

## 31 LEASES (CONTINUED)

### Amounts recognised in profit or loss

	Group	
	2023 \$'000	2022 \$'000
<b>Leases under SFRS(I) 16</b>		
Interest on lease liabilities	94	24

### Amounts recognised in statement of cash flows

	Group	
	2023 \$'000	2022 \$'000
<b>Total cash outflow for leases</b>	661	645

### 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 2023 was \$63,000 (2022: \$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	
	2023 \$'000	2022 \$'000
Less than one year	63	46

## 32 CAPITAL COMMITMENTS

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Capital expenditure contracted for but not provided in the financial statements	-	15,000	-	11,500

## 33 SUBSEQUENT EVENT

On 28 February 2024, the Company entered into two separate 3 years revolving credit facility agreements (amounts of up to SGD1,500,000 and up to RM 1,000,000) with the Executive Chairlady (who is also the controlling shareholder of the Company) ("Lender"). The Company and the Malaysia subsidiaries will use the loans for working capital purposes. The loans are unsecured and bear interest period of 1, 3, 6 months or such other period as mutually agreed by the Lender and the Company. The interest rate of the loans will be based on Singapore Overnight Average ("SORA") and Standardised Base Rate ("SBR") for the SGD and RM loans respectively.

## STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2024

<b>TOTAL NUMBER OF ISSUED SHARES</b>	:	581,546,400
<b>TOTAL NUMBER OF ISSUED SHARES EXCLUDING TREASURY SHARES AND SHARES HELD BY A SUBSIDIARY (IF ANY)</b>	:	580,712,400
<b>TOTAL NUMBER AND PERCENTAGE OF TREASURY SHARES</b>	:	834,000 (0.14%)
<b>TOTAL NUMBER AND PERCENTAGE OF SHARES HELD BY A SUBSIDIARY</b>	:	NIL
<b>CLASS OF SHARES</b>	:	ORDINARY
<b>VOTING RIGHTS</b>		
- On a show of hands	:	ONE VOTE FOR EACH MEMBER
- On a poll	:	ONE VOTE FOR EACH ORDINARY SHARE HELD

### DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	190	14.20	2,395	0.00
100 – 1,000	186	13.90	172,374	0.03
1,001 – 10,000	251	18.76	1,548,750	0.27
10,001 – 1,000,000	685	51.20	82,349,145	14.18
1,000,001 AND ABOVE	26	1.94	496,639,736	85.52
<b>TOTAL</b>	<b>1,338</b>	<b>100.00</b>	<b>580,712,400</b>	<b>100.00</b>

### TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CHENG WOEI FEN	278,997,600	48.04
2	QUEK KIAN HUI (GUO JIANHUI)	86,376,800	14.87
3	GABRIEL QUEK KIAN TECK	33,516,000	5.77
4	PHILLIP SECURITIES PTE LTD	17,431,580	3.00
5	DBS NOMINEES (PRIVATE) LIMITED	9,922,646	1.71
6	UOB KAY HIAN PRIVATE LIMITED	9,307,700	1.60
7	OCBC SECURITIES PRIVATE LIMITED	7,589,300	1.31
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	LIM POON KHENG EUGENE	4,000,000	0.69
12	NG HIAN CHOW	3,888,000	0.67
13	MAYBANK SECURITIES PTE. LTD.	3,551,010	0.61
14	ABN AMRO CLEARING BANK N.V.	2,813,700	0.48
15	QUEK KENG SIONG	2,651,400	0.46
16	KOH SER KIONG	2,300,000	0.40
17	TAY HWA LANG @ TAY AH KOU OR JORDAN TAY SHIH LIANG	1,870,000	0.32
18	CHEN ENG SHEE	1,800,000	0.31
19	TAN HAI PENG MICHEAL	1,800,000	0.31
20	TEO SOON HOCK	1,600,000	0.28
<b>TOTAL</b>		<b>489,231,036</b>	<b>84.24</b>

# STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2024

## RULE 723 COMPLIANCE

Based on the information available to the Company as at 15 March 2024, approximately 28.9% 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	48.04%	36,167,400	6.23%
GABRIEL QUEK KIAN TECK	33,516,000	5.77%	0	0
QUEK KIAN HUI	86,376,800	14.87%	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 15 March 2024, the Company held 834,000 treasury shares, representing 0.14% of the total issued shares excluding treasury shares.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting (“**AGM**”) of MUN SIONG ENGINEERING LIMITED (the “**Company**”) will be held at 80 Jurong East Street 21, Devan Nair Institute for Employment and Employability, Singapore 609607, Event Hall 2, Level 1 on Thursday, 25 April 2024 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 2023, 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]*
  - (iii) Seah Hai Yang (Regulation 112) **[Resolution 4]**  
*[See Explanatory Note 3]*
3. To declare a first and final dividend of 0.04 cents per ordinary share tax-exempt (one-tier) for the financial year ended 31 December 2023. **[Resolution 5]**
4. To approve Directors’ fees of up to S\$153,000 for the financial year ending 31 December 2024, payable quarterly by the Company in arrears (2023: S\$116,000). **[Resolution 6]**
5. To re-appoint Messrs KPMG LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration. **[Resolution 7]**
6. To transact any other ordinary business which may be properly transacted at an AGM.

## SPECIAL BUSINESSES

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

7. **Authority to allot and issue shares and convertible securities** **[Resolution 8]**

“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;

## NOTICE OF ANNUAL GENERAL MEETING

- (ii) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force; and
- (iii) complete and do all such acts and things, including without limitation, executing all such documents and approving any amendments, alterations or modifications to any documents as they may consider necessary, desirable or expedient to give effect to this Resolution.

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued on a *pro-rata* basis pursuant to this Resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation and adjustment as may be prescribed by the 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 4]

## NOTICE OF ANNUAL GENERAL MEETING

8. **Proposed renewal of the authority to issue shares under the MSE Performance Share Plan [Resolution 9]**

“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 5]*

9. **Proposed renewal of the share purchase mandate [Resolution 10]**

“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 6]*

**By Order of the Board**

Sharon Lim Siew Choo  
Company Secretary  
Singapore, 9 April 2024



# NOTICE OF ANNUAL GENERAL MEETING

## **Explanatory Notes:**

1. Quek Kian Hui, if re-elected, will remain as the Executive Deputy Chairman and Group Chief Executive Officer. Please refer to page 27 of the Corporate Governance in the Annual Report 2023 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 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 28 of the Corporate Governance in the Annual Report 2023 for the detailed information as required pursuant to Rule 720(6) of the Listing Manual of SGX-ST.
3. Seah Hai Yang, 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. Upon his re-election and the conclusion of the AGM, Seah Hai Yang will be appointed as the Lead Independent Director and Chairman of the Audit Committee. He will remain as a member of the Nominating and the Remuneration Committees respectively. There are no relationships (including immediate family relationships) between Seah Hai Yang 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 29 of the Corporate Governance in the Annual Report 2023 for the detailed information as required pursuant to Rule 720(6) of the Listing Manual of SGX-ST.
4. Resolution 8, 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.

5. Resolution 9, 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.
6. Resolution 10 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 2023 are set out in greater detail in the Addendum (dated 9 April 2024) and the Annual Report 2023.

## **Notes:**

- (1) The AGM of the Company will be held, in a wholly physical format at 80 Jurong East Street 21, Devan Nair Institute for Employment and Employability, Singapore 609607, Event Hall 2, Level 1 on Thursday, 25 April 2024 at 2:00 p.m.. **There will be no option for members to participate the AGM virtually.**

Printed copies of this Notice of AGM, Proxy Form and the Request Form, collectively the "AGM Booklet" will be sent by post to members. These documents will also be published on the Company's website at [www.mun-siong.com](http://www.mun-siong.com) and the SGX website at [www.sgx.com/securities/company-announcements](http://www.sgx.com/securities/company-announcements).

- (2) In view of the guidance note issued by the Singapore Exchange Regulation, members may also submit questions relating to the resolutions to be tabled for approval at the AGM in the following:

- (a) submitting question via mail to the Company's registered office at 26 Gul Way, Singapore 629199, or email to [AGMQuery@mun-siong.com](mailto:AGMQuery@mun-siong.com) prior to the AGM manner by 2:00 p.m. on 16 April 2024; or
- (b) at the physical AGM.

When submitting the questions, please provide the Company with the following details, for verification purpose:-

- (i) full name;
- (ii) NRIC number;
- (iii) current address;

# NOTICE OF ANNUAL GENERAL MEETING

- (iv) contact number; and
- (v) number of Shares held.

Please also indicate the manner in which you hold Shares in the Company (e.g. via CDP, CPF or SRS).

Shareholders are encouraged to submit their questions before 2:00 p.m. on 16 April 2024 as this will 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 2:00 p.m. on 20 April 2024 (forty-eight (48) hours prior to the closing date and time for the lodgment of the proxy forms). 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.

- (3) A member who is not a relevant intermediary\*, entitled to attend, speak and vote at the AGM is entitled to appoint not more than two proxies or Chairman (Chairlady) to attend, speak and vote in his/her stead at the AGM of the Company. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy in the form of proxy. A proxy need not be a member of the Company.
- (4) A member who is a relevant intermediary\* may appoint one or more proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Relevant intermediary has the meaning ascribed to it in section 181 of the Companies Act.

\*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 license 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.
- (5) The instrument appointing the proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing the proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing the proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument, failing which the instrument may be treated as invalid.
  - (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) The instrument appointing proxy(ies), together with the letter or power of attorney or other authority under which it is signed (if applicable) or a duly certified copy thereof, must be deposited to the Company in the following manner:
    - (a) mail to the Company's registered office at 26 Gul Way, Singapore 629199; or
    - (b) email to [Proxyform@mun-siong.com](mailto:Proxyform@mun-siong.com).

in each case, by 2:00 p.m. on 22 April 2024, being no later than 72 hours before the time fixed for the AGM, and in default the instrument of proxy shall not be treated as valid.

- (8) Investors who hold shares through CPF Investment Scheme or Supplementary Retirement Scheme ("**SRS**"):-
  - (a) may vote at the AGM if they are appointed as proxies by their respective CPF Agent Banks or SRS Operators, and should contact their respective CPF Agent Banks or SRS Operators if they have any queries regarding their appointment as proxies; or
  - (b) may appoint the Chairman (Chairlady) of the AGM as their proxy to vote on their behalf at the AGM, in which case they should approach their respective CPF Agent Banks or SRS Operators to submit their votes

at least seven (7) working days before the AGM (i.e. by 2:00 p.m. on 15 April 2024).

- (9) The Company shall be entitled to reject the instrument appointing the proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the proxy or proxies (including any related attachment or supporting documents) (such as in the case where the appointor submits more than one instrument appointing the proxy or proxies).
- (10) In the case of a member whose Shares are entered against his/her/its name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001), the Company may reject any instrument appointing the proxy or proxies lodged if such member, being appointor, is not shown to have Shares entered against his/her/its name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

# NOTICE OF ANNUAL GENERAL MEETING

## Access to Documents

The 2023 Annual Report and the Addendum dated 9 April 2024 (in relation to the proposed renewal of the share purchase mandate) have been published and can be accessed at the Company's website at [www.mun-siong.com](http://www.mun-siong.com). These documents can also be assessed at the SGX website at [www.sgx.com/securities/company-announcements](http://www.sgx.com/securities/company-announcements).

Members can request for printed copies of the above documents by completing and submitting the Request Form (part of the AGM Booklet) which was sent out to members by post.

The Request Form must be completed and sent to the Company's registered address at 26 Gul Way Singapore 629199 or email to [AGMQuery@mun-siong.com](mailto:AGMQuery@mun-siong.com) no later than 5.00 p.m. on Wednesday 17 April 2024.

## Personal data privacy:

By (a) submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM of the Company and/or any adjournment thereof, or (b) 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, administration and analysis by the Company (or its agents) of proxy(ies) and representative(s) appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**");
- (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes;
- (iii) addressing substantial and relevant questions from members received before the AGM and if necessary, following up with the relevant members in relation to such questions;
- (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; and
- (v) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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 of 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.

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# MUN SIONG ENGINEERING LIMITED

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

## Proxy Form Annual General Meeting ("AGM")

### IMPORTANT

1. This Notice of Annual General Meeting (the "AGM"), together with this proxy form, Annual Report 2023 and the Addendum to the shareholders dated 9 April 2024 will be sent to members by electronic means via publication on the Company's corporate website at the URL <https://www.mun-siong.com> and is also made available on SGXNet at the URL <https://www.sgx.com/securities/company-announcements>. For convenience, printed copies of this Notice of AGM and Proxy Form will also be sent by post to members.
2. A relevant intermediary may appoint more than one proxy to attend the AGM and vote (please see note 3 for the definition of "relevant intermediary").
3. For investors who have used their Central Provident Fund ("CPF") and/or Supplementary Retirement Scheme ("SRS") monies to buy shares in the Company, this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or is purported to be used by them.
4. Please read the notes to the proxy form.

I/We \_\_\_\_\_ (Name), \*NRIC/Passport No./Company Registration No. \_\_\_\_\_

of \_\_\_\_\_ (Address)

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

Name	Address	NRIC/Passport Number	Proportion of Shareholdings	
			No. of Shares	%

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings	
			No. of Shares	%

or failing \*him/her/them, Chairman (Chairlady) of the AGM, as \*my/our \*proxy/proxies to attend, speak and vote for \*me/us on \*my/our behalf at the AGM of the Company to be convened at 80 Jurong East Street 21, Devan Nair Institute for Employment and Employability, Singapore 609607, Event Hall 2, Level 1 on Thursday, 25 April 2024 at 2:00 p.m. and at any adjournment thereof.

\*I/We direct \*my/our \*proxy/proxies to vote for or against or to abstain from voting on the resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting on the resolutions are given, the \*proxy/proxies may vote or abstain from voting at \*his/her/their direction and any other matters arising at the AGM. In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the AGM as \*my/our 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 AGM. If you mark the abstain box for a particular resolution, you are directing the proxy(ies) or Chairman (Chairlady) of the AGM 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 2023 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.	Re-election of Seah Hai Yang as a Director of the Company			
5.	First and Final Dividends			
6.	Approval of Directors' fees for financial year ending 31 December 2024			
7.	Re-appointment of Messrs KPMG LLP as Auditors			
8.	Authority to allot and issue shares and convertible securities			
9.	Proposed renewal of the authority to issue shares under the MSE Performance Share Plan			
10.	Proposed renewal of the Share Purchase Mandate			

\* Delete where inapplicable.

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 AGM for the full purpose and intent of the Resolutions to be passed.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2024

Total Number of Shares Held

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

IMPORTANT: PLEASE READ NOTES OVERLEAF



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**Notes:-**

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 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 (other than a Relevant Intermediary\*) entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies. Where such member's instrument appointing a proxy(ies) appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the instrument. A proxy need not be a member of the Company.
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 AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.  
\*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.
4. An investor who holds shares through Relevant Intermediary\*, including under the CPF Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) and wishes to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks and/or SRS Operators to submit their votes at least seven (7) working days before the AGM (i.e. by 2:00 p.m. 15 April 2024) in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf no later than the Proxy Deadline.

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Affix  
postage  
stamp  
here

**MUN SIONG ENGINEERING LIMITED**

26 Gul Way  
SINGAPORE  
629199

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5. The instrument appointing a proxy(ies) or the Chairman (Chairlady) of the AGM as proxy must be mailed to or deposited at the Company's registered office at 26 Gul Way, Singapore 629199 or email to [Proxyform@mun-siong.com](mailto:Proxyform@mun-siong.com) not less than seventy-two (72) hours before the time appointed for the AGM.
6. The instrument appointing a proxy(ies) or the Chairman (Chairlady) of the AGM as proxy must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing proxy(ies) or the Chairman (Chairlady) of the AGM as proxy is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.
7. Where an instrument appointing proxy(ies) or the Chairman of the AGM as proxy is executed by an attorney on behalf of the appointer, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument of proxy, failing which, the instrument may be treated as invalid.
8. 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 AGM, in accordance with Section 179 of the Companies Act 1967.
9. 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 AGM, as certified by The Central Depository (Pte) Limited to the Company.

**PERSONAL DATA PRIVACY**

By submitting an instrument appointing a proxy(ies) or the Chairman of the AGM as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 9 April 2024.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Cheng Woei Fen**  
*Executive Chairlady*

**Quek Kian Hui**  
*Executive Deputy Chairman and  
Group Chief Executive Officer*

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

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

**Elaine Beh Pur-Lin**  
*Non-Executive Independent Director*

**Seah Hai Yang**  
*Non-Executive Independent Director*

## AUDIT COMMITTEE

**David Tan Chao Hsiung**  
*Chairman*

**Mah Kai Leong**

**Elaine Beh Pur-Lin**

**Seah Hai Yang**

## REMUNERATION COMMITTEE

**Mah Kai Leong**  
*Chairman*

**David Tan Chao Hsiung**

**Elaine Beh Pur-Lin**

**Seah Hai Yang**

## NOMINATING COMMITTEE

**Elaine Beh Pur-Lin**  
*Chairlady*

**David Tan Chao Hsiung**

**Mah Kai Leong**

**Seah Hai Yang**

## EXECUTIVE COMMITTEE

**Quek Kian Hui**  
*Chairman*

**Cheng Woei Fen**  
*Adviser*

**Sean Safavinejad**  
*Group Chief Operating Officer*

**Lim Poon Kheng, Eugene**  
*Group Chief Financial Officer*

**Teo Kheng Hock, Andy**  
*Director, Specialised Services*

**Lin Yan**  
*Director, Electrical and  
Instrumental Services*

**Narayanan Parthasarathy**  
*Director, Mechanical Services*

**Shan YiJian**  
*Director, Mechanical Services and  
Project Works*

**Neo Siow Hong, Jason**  
*Director, Compliance and Service  
Excellence*

## COMPANY SECRETARY

**Sharon Lim Siew Choo**

## REGISTERED OFFICE

26 Gul Way  
Singapore 629199

## 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**  
30 Raffles Place  
#04-01  
Singapore 048622

## AUDITORS

**KPMG LLP**  
**Public Accountants and  
Chartered Accountants**  
12 Marina View  
#15-01 Asia Square  
Tower 2  
Singapore 018961  
(Appointed Engagement Partner  
since financial year ended  
31 December 2023:  
Ms Siew Yilin)



**MUN SIONG ENGINEERING LIMITED**

Company Reg. No. 196900250M

26 Gul Way

Singapore 629199

Tel: +65 6411 6570

Fax: +65 6862 0218

[www.mun-siong.com](http://www.mun-siong.com)



**ADDENDUM DATED 9 APRIL 2024**

**THIS ADDENDUM IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.**

**If you are in any doubt about this Addendum or the action you should take, you should consult your stockbroker, bank manager, accountant, solicitor, tax adviser, or other professional adviser immediately.**

This Addendum is circulated to shareholders of Mun Siong Engineering Limited (the “**Company**”) together with the Company’s Annual Report (as defined in this Addendum). Its purpose is to provide Shareholders (as defined in this Addendum) with the relevant information relating to, and to seek Shareholders’ approval for, the proposed renewal of the Share Purchase Mandate (as defined in this Addendum) to be tabled at the Annual General Meeting held at **80 Jurong East Street 21, Devan Nair Institute for Employment and Employability, Singapore 609607, Event Hall 2, Level 1, on Thursday, 25 April 2024 at 2.00 p.m.**

The Notice of Annual General Meeting and a Proxy Form are enclosed with the Annual Report.

**The Singapore Exchange Securities Trading Limited assumes no responsibility for the accuracy of any of the statements made, reports contained or opinions expressed in this Addendum.**



**MUN SIONG ENGINEERING LIMITED**

**MUN SIONG ENGINEERING LIMITED**

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

**ADDENDUM TO ANNUAL REPORT**  
**IN RELATION TO THE PROPOSED RENEWAL**  
**OF THE SHARE PURCHASE MANDATE**

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## DEFINITIONS

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In this Addendum, the following definitions apply throughout except where the context otherwise requires:

<b>“ACRA”</b>	:	The Accounting and Corporate Regulatory Authority
<b>“Addendum”</b>	:	This addendum to Shareholders dated 9 April 2024 in relation to the proposed renewal of the Share Purchase Mandate
<b>“AGM”</b>	:	The annual general meeting of the Company
<b>“Annual Report”</b>	:	The annual report of the Company for FY2023
<b>“Associate”</b>	:	(a) in relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means: <ul style="list-style-type: none"><li>(i) his immediate family;</li><li>(ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and</li><li>(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more;</li></ul> (b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
<b>“Associated Company”</b>	:	A company or a subsidiary of such company in which at least 20% but not more than 50% of its shares are held by the Group
<b>“Associated Company Executive Director”</b>	:	A director of an Associated Company who performs an executive function
<b>“Board”</b>	:	The Board of Directors of the Company
<b>“CDP”</b>	:	The Central Depository (Pte) Limited
<b>“Committee”</b>	:	The Remuneration Committee of the Company from time to time

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## DEFINITIONS

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<b>“Company”</b>	:	Mun Siong Engineering Limited, a company incorporated in the Republic of Singapore
<b>“Companies Act”</b>	:	The Companies Act 1967 of Singapore, as amended, supplemented or modified from time to time
<b>“Controlling Shareholder”</b>	:	A person who:  (a) holds directly or indirectly 15% or more of the total number of issued Shares excluding Treasury Shares in the Company. The SGX-ST may determine that a person who satisfies this paragraph is not a controlling shareholder; or  (b) in fact exercises control over the Company
<b>“Directors”</b>	:	The Directors of the Company as at the date of this Addendum
<b>“EPS”</b>	:	Earnings per Share
<b>“FY” or “Financial Year”</b>	:	The financial year ending on 31 December of the relevant year
<b>“FY2023 AGM”</b>	:	The AGM to be held on Thursday, 25 April 2024, notice of which is set out in the Notice of AGM accompanying the Annual Report
<b>“Grantee”</b>	:	The person to whom an Award is granted
<b>“Group”</b>	:	The Company and its subsidiaries
<b>“Group Executive Director”</b>	:	A director of the Company and/or any of its subsidiaries, as the case may be, who performs an executive function
<b>“Latest Practicable Date”</b>	:	The latest practicable date prior to the printing of this Addendum, being 8 March 2024
<b>“Listing Manual”</b>	:	The listing manual of the SGX-ST as amended, supplemented or modified from time to time
<b>“Market Day”</b>	:	A day on which the SGX-ST is open for trading in securities
<b>“MSE PSP”</b>	:	The MSE Performance Share Plan as amended, supplemented or modified from time to time
<b>“Notice of AGM”</b>	:	The notice of the AGM enclosed with the Annual Report, for the purposes of considering and, if thought fit, passing with or without modifications, the resolutions as set out therein

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## DEFINITIONS

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“ <b>NTA</b> ”	:	Net tangible assets
“ <b>ROE</b> ”	:	Return on equity
“ <b>SFA</b> ”	:	The Securities and Futures Act (Chapter 289) of Singapore as amended, supplemented or modified from time to time
“ <b>SGX-ST</b> ”	:	Singapore Exchange Securities Trading Limited
“ <b>Shareholders</b> ”	:	Registered holders of Shares, except that where the registered holder is the CDP, the term “ <b>Shareholders</b> ” shall, in relation to such Shares, and where the context admits, mean the Depositors whose securities accounts are maintained with CDP (but not including securities sub-accounts maintained with a Depository Agent) and credited with Shares
“ <b>Shares</b> ”	:	Ordinary shares in the issued share capital of the Company
“ <b>Substantial Shareholder</b> ”	:	A person who has an interest in not less than 5% of the issued voting shares of the Company
“ <b>Share Purchase</b> ”	:	The purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate
“ <b>Share Purchase Mandate</b> ”	:	A general and unconditional mandate given by Shareholders (including the subsequent renewal thereof if approved by Shareholders) that authorises the Directors to purchase or acquire Shares in accordance with the terms set out in this Addendum as well as the rules and regulations set forth in the Companies Act and the Listing Manual
“ <b>Take-over Code</b> ”	:	The Singapore Code on Take-overs and Mergers, as the same may be amended or modified from time to time
“ <b>S\$</b> ”, “ <b>\$</b> ” and “ <b>cents</b> ”	:	Singapore dollars and cents, respectively
“ <b>%</b> ”	:	Per centum or percentage

The terms “**Depositor**”, “**Depository Register**” and “**Depository Agent**” shall have the meanings ascribed to them respectively in Section 81SF of the SFA. The term “**Treasury Shares**” shall have the meaning ascribed to it in Section 4 of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing the masculine gender shall, where applicable, include the feminine and the neuter genders and *vice versa*. Words importing persons shall include corporations.

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## DEFINITIONS

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Any reference in this Addendum to any statute or enactment is a reference to that statute or enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, SFA or the Listing Manual or any statutory modification thereof and not otherwise defined in this Addendum shall have the same meaning assigned to it under the Companies Act, SFA or the Listing Manual or such statutory modification thereof, as the case may be.

Any reference to a time of day in this Addendum is made by reference to Singapore time unless otherwise stated.

Any discrepancies in tables included herein between the amounts listed and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Any reference to “**you**”, “**your**” and “**yours**” in this Addendum is, as the context so determines, to Shareholders.

The headings in this Addendum are inserted for convenience only and shall not affect the construction of this Addendum.

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## LETTER TO SHAREHOLDERS

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### MUN SIONG ENGINEERING LIMITED

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

**Directors:**

Cheng Woei Fen (*Executive Chairlady*)  
Quek Kian Hui (*Executive Deputy Chairman*)  
David Tan Chao Hsiung (*Non-Executive and Lead Independent Director*)  
Mah Kai Leong (*Non-Executive and Independent Director*)  
Elaine Beh Pur-Lin (*Non-Executive and Independent Director*)  
Seah Hai Yang (*Non-Executive and Independent Director*)

**Registered Office:**

26 Gul Way  
Singapore 629199

9 April 2024

**To: The Shareholders of Mun Siong Engineering Limited**

Dear Sir/Madam

#### THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

##### 1 INTRODUCTION

At the forthcoming AGM of the Company to be held on 25 April 2024, the Directors are seeking approval from the Shareholders for the proposed renewal of Share Purchase Mandate (“**Proposal**”).

The Share Purchase Mandate was first approved by Shareholders at the AGM held on 20 April 2017. The authority conferred pursuant to the Share Purchase Mandate may be exercised by the Directors at any time during the period commencing from the AGM dated 21 April 2023 and expiring on the date when the next AGM is held, or the date by which the next AGM is required by law to be held, or when the authority conferred is revoked or varied in any general meeting of the Company, whichever is earlier.

The existing Share Purchase Mandate will expire on the date of the Company's FY2023 AGM. Accordingly, the Directors of the Company are seeking the approval of the Shareholders for the renewal of the Share Purchase Mandate at the FY2023 AGM.

**The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed, or reports contained in this Addendum. If a Shareholder is in any doubt as to the action he should take, he should consult his stockbroker, bank manager, solicitor, accountant, or other professional adviser immediately.**

##### 2 TERMS OF THE SHARE PURCHASE MANDATE

###### 2.1 Purchase of Shares Under the Share Purchase Mandate

Any purchase or acquisition of Shares by the Company must be made in accordance with, and in the manner prescribed by the Companies Act, the Listing Manual, the Company's Constitution and such other laws and regulations as may for the time being be applicable.



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## LETTER TO SHAREHOLDERS

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The Constitution of the Company provides that the Company may purchase or otherwise acquire its issued Shares subject to and in accordance with the Companies Act on such terms and conditions as the Company may in a general meeting prescribed. The Listing Manual provides that if the Company wishes to purchase or otherwise acquire its own shares, it should obtain the prior specific approval of Shareholders in a general meeting. Accordingly, approval is being sought from Shareholders at the FY2023 AGM for the proposed renewal of the Share Purchase Mandate for the proposed purchase or acquisition by the Company of its issued Shares. The resolution will be proposed as an ordinary resolution pursuant to which the proposed Share Purchase Mandate will be given to the Directors to exercise all powers on behalf of the Company to purchase or otherwise acquire its Shares in accordance with the terms of the proposed Share Purchase Mandate as well as the rules and regulations set forth in the Companies Act and the Listing Manual.

If approved by Shareholders at the FY2023 AGM, the authority conferred by the Share Purchase Mandate will continue in force until the date of the next AGM of the Company or the date by which such AGM is required by law to be held or the date on which purchases or acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated or when the authority conferred is revoked or varied in any general meeting of the Company, whichever is the earliest.

### 2.2 Rationale for the Share Purchase Mandate

The approval of the Share Purchase Mandate authorising the Company to purchase or acquire its Shares would give the Company the flexibility to undertake Share Purchases up to the 10% limit described in paragraph 2.3.1 (*Maximum number of Shares*) below at any time, during the period when the Share Purchase Mandate is in force.

The rationale for the Company to undertake the purchase or acquisition of its issued Shares is as follows: –

- (a) In managing the business of the Group, the management will strive to increase Shareholders' value by improving, *amongst others*, the ROE of the Group. In addition to the growth and expansion of the business, Share Purchases may be considered one of the ways the ROE of the Group may be enhanced.
- (b) In line with international practice, the Share Purchase Mandate will provide the Company with greater flexibility in managing its capital and maximising returns to Shareholders. To the extent that the Company has capital and sufficient funds, which are in excess of its working capital needs, taking into account its growth and expansion plans, the Share Purchase Mandate will facilitate the return of excess cash and surplus funds (if any) to Shareholders in an expedient, effective and cost-efficient manner.
- (c) The Share Purchase Mandate will provide the Company with the flexibility to undertake Share Purchases at any time, subject to market conditions and compliance with the Listing Manual, during the period when the Share Purchase Mandate is in force.
- (d) Share Purchases may help mitigate short-term market volatility, offset the effects of short-term speculation and bolster Shareholder confidence.

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## LETTER TO SHAREHOLDERS

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- (e) The Share Purchase Mandate will accord greater flexibility to the Company in providing Shares to eligible employees under its future share-based incentive schemes, including but not limited to the existing MSE Performance Share Plan approved in the AGM on 20 April 2017. Subject to prevailing legislation, the Constitution of the Company, the Listing Manual and the rules of the relevant share-based incentive schemes, the Company has the discretion to either issue new Shares, deemed fully paid upon issuance and allotment, to eligible employees, or transfer existing Shares to such eligible employees (whether held as Treasury Shares or otherwise). Share Purchases can be held by the Company as Treasury Shares to satisfy the Company's obligation to furnish Shares to eligible employees under such share-based incentive schemes, thus giving the Company greater flexibility to select the method of providing Shares to eligible employees in a manner most beneficial to the Company and its Shareholders.

While the Share Purchase Mandate would authorise a purchase or acquisition of Shares up to the said 10% limit during the duration referred to in paragraph 2.3.2 (*Duration of Authority*) below, Shareholders should note that Share Purchases may not be carried out to the full 10% limit as authorised. In particular, Share Purchases would not be made in circumstances which would or may have a material adverse effect on the financial position of the Company or the Group, or result in the Company being delisted from the SGX-ST. The Directors will use their best efforts to ensure that after a purchase or acquisition of Shares pursuant to the Share Purchase Mandate, the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or adversely affect the orderly trading and listing status of the Shares on the SGX-ST.

### 2.3 Authority and Limits on the Share Purchase Mandate

The authority and limitations placed on purchases or acquisitions of Shares by the Company under the proposed Share Purchase Mandate are summarised below: –

#### 2.3.1 Maximum number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired pursuant to the Share Purchase Mandate is limited to that number of Shares representing not more than 10% of the total number of issued Shares outstanding (excluding Treasury Shares and subsidiary holdings) as at the date of the FY2023 AGM at which the Share Purchase Mandate is approved, unless the Company has, at any time during the Relevant Period, 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 Shares shall be taken to be the total number of Shares as altered by the capital reduction or the share consolidation. Any Shares which are held as Treasury Shares or held through subsidiary holdings (if any) will be disregarded for the purposes of computing the 10% limit. “**Relevant Period**” in this paragraph shall mean the period commencing from the date on which the AGM is held and the resolution relating to the Share Purchase Mandate is passed and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier.

As at the Latest Practicable Date, the issued capital of the Company comprises 580,712,400 Shares (excluding Treasury Shares) and the Company does not have any subsidiary holdings.

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**For illustrative purposes only**, on the basis of 580,712,400 Shares (excluding Treasury Shares) in issue as at the Latest Practicable Date and assuming no further Shares are issued on or prior to the date of the FY2023 AGM, not more than 58,071,240 Shares (representing not more than 10% of the total number of issued Shares as at that date) may be purchased or acquired by the Company pursuant to the proposed Share Purchase Mandate during the duration referred to in paragraph 2.3.2 (*Duration of authority*) below.

### 2.3.2 Duration of Authority

Purchases or acquisitions of Shares pursuant to the proposed Share Purchase Mandate may be made, at any time and from time to time, on and from the date of the FY2023 AGM, at which the adoption of the Share Purchase Mandate is approved, up to the earlier of: –

- (a) the conclusion of the next AGM of the Company;
- (b) the date by which the next AGM is required by law to be held;
- (c) the date on which the purchases or acquisitions of Shares pursuant to the proposed Share Purchase Mandate are carried out to the full extent mandated; or
- (d) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by Shareholders in a general meeting.

The authority conferred on the Directors by the Share Purchase Mandate to purchase or acquire Shares may be renewed at the next AGM or at an EGM to be convened immediately after the conclusion or adjournment of the next AGM.

### 2.3.3 Manner of purchases or acquisitions of Shares

Purchases or acquisitions of Shares may be made by way of: –

- (a) on-market purchase(s) (“**Market Purchase**”), transacted on the SGX-ST through the ready market, through one (1) or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
- (b) off-market purchase(s) (“**Off-Market Purchase**”) effected pursuant to an equal access scheme(s) as defined in Section 76C of the Companies Act.

The Directors may impose such terms and conditions which are consistent with the Share Purchase Mandate, the Listing Manual, the Companies Act and the Existing Constitution or the New Constitution (as the case may be), as they consider appropriate in the interests of the Company in connection with or in relation to any equal access scheme(s). An Off-Market Purchase must, however, satisfy all the following conditions: –

- (i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (ii) all of the above mentioned persons shall be given a reasonable opportunity to accept the offers made; and

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- (iii) the terms of all the offers shall be the same, except that there shall be disregarded: –
  - (a) differences in consideration attributable to the fact that offers may relate to shares with different accrued dividend entitlements;
  - (b) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid (if applicable); and
  - (c) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

Pursuant to the Listing Manual, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, the Company must, as required by the Listing Manual, issue an offer document to all Shareholders containing, *amongst others*, the following information: –

- (A) the terms and conditions of the offer;
- (B) the period and procedures for acceptances;
- (C) the reasons for the proposed purchase or acquisition of Shares;
- (D) the consequences, if any, of the purchase or acquisition of Shares by the Company that will arise under the Take-over Code or other applicable take-over rules;
- (E) whether the purchase or acquisition of Shares, if made, would have any effect on the listing of the Shares on the SGX-ST;
- (F) details of any purchases or acquisitions of Shares made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases of Shares, where relevant, and the total consideration paid for the purchases; and
- (G) whether the Shares purchased by the Company will be cancelled or, if permitted by the Company's Constitution, held as Treasury Shares.

### 2.3.4 Purchase Price

The purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) to be paid for a Share will be determined by the Directors or a committee of Directors that may be constituted for the purposes of effecting purchases or acquisitions of Shares by the Company under the Share Purchase Mandate. However, the purchase price to be paid for the Shares pursuant to the purchases or acquisitions of the Shares must not exceed: –

- (a) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and
- (b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price or Highest Last Dealt Price of the Shares,

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(the “**Maximum Price**”) in either case, excluding related expenses of the Share Purchase.

For the above purposes: –

“**Average Closing Price**” means the average of the closing market prices of a Share for the five (5) consecutive Market Days on which the Shares are transacted on the SGX-ST immediately preceding the date of the Market Purchase by the Company and deemed to be adjusted in accordance with the Listing Manual for any corporate action which occurs after the relevant five (5) Market Days.

“**Highest Last Dealt Price**” means the highest price transacted for a Share as recorded on the SGX-ST on the Market Day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase.

“**day of the making of the offer**” means the day on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

### 2.4 Status of Purchased Shares

#### 2.4.1 Cancellation

Any Shares which are purchased or acquired by the Company shall, unless held as Treasury Shares to the extent permitted under the Companies Act and the Company’s Constitution, be deemed cancelled immediately on purchase or acquisition, and all rights and privileges attached to that Share will expire upon cancellation. Accordingly, the total number of Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as Treasury Shares.

All Shares purchased or acquired by the Company (other than Treasury Shares held by the Company to the extent permitted under the Companies Act and the Company’s Constitution) will be automatically delisted by the SGX-ST, and certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following settlement of any such purchase or acquisition.

At the time of each purchase of Shares by the Company, the Directors will decide whether the Shares purchased will be cancelled or kept as Treasury Shares, or partly cancelled and partly kept as Treasury Shares, depending on the needs of the Company and as the Directors deem fit in the interest of the Company at that time.

#### 2.4.2 Treasury Shares

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as Treasury Shares. Some of the provisions on Treasury Shares under the Companies Act are summarised below: –

(a) Maximum Holdings

The number of Shares held as Treasury Shares cannot at any time exceed 10% of the total number of issued Shares (the “**Treasury Shares Limit**”).

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(b) Voting and Other Rights

The Company cannot exercise any right in respect of Treasury Shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the Treasury Shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made to the Company in respect of Treasury Shares. However, the allotment of shares as fully paid bonus shares in respect of Treasury Shares is allowed. A subdivision or consolidation of any Treasury Share(s) into Treasury Shares of a smaller amount is also allowed so long as the total value of the Treasury Shares after the subdivision or consolidation is the same as before.

(c) Disposal and Cancellation

Where Shares are held as Treasury Shares, the Company may at any time: –

- (i) sell the Treasury Shares for cash;
- (ii) transfer the Treasury Shares for the purposes of or pursuant to a share-based incentive scheme;
- (iii) transfer the Treasury Shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (iv) cancel the Treasury Shares; or
- (v) sell, transfer, or otherwise use the Treasury Shares for such other purposes as may be prescribed by the Minister for Finance.

Where Shares purchased pursuant to the Share Purchase Mandate are held as Treasury Shares, the number of such Shares to be held as Treasury Shares, when aggregated with the existing Treasury Shares held, shall not, subject to the Companies Act, exceed the Treasury Shares Limit at any time.

## 2.5 Reporting Requirements

### 2.5.1 SGX-ST

The Listing Manual specify that a listed company shall notify the SGX-ST of all purchases or acquisitions of its shares not later than 9.00 a.m.: –

- (a) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was made; and
- (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptance of the offer for the Off-Market Purchase.

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The notification of such purchases or acquisitions of Shares to the SGX-ST shall be in such form and shall include such details that the SGX-ST may prescribe. The Company shall make arrangements with its stockbrokers to ensure that they provide the Company, in a timely fashion, the necessary information which will enable the Company to make the notifications to the SGX-ST.

Under the Listing Manual, immediate announcement must be made of any sale, transfer, cancellation and/or use of Treasury Shares (in each case, the “usage”). Such announcement must include details such as the date of the usage, the purpose of the usage, the number of Treasury Shares comprised in the usage, the number of Treasury Shares before and after the usage, and the percentage of the number of Treasury Shares comprised in the usage against the total number of issued Shares (of the same class as the Treasury Shares) which are listed on the SGX-ST before and after the usage.

### 2.5.2 ACRA

Within 30 days of the passing of a Shareholders’ resolution to approve the purchase or acquisition of Shares by the Company, the Company shall lodge a copy of such resolution with ACRA.

Within 30 days of a purchase or acquisition of Shares on the SGX-ST or otherwise, the Company shall lodge with ACRA the notice of the purchase or acquisition in the prescribed form, such notification including, *amongst others*, the details of the purchase or acquisition, the total number of Shares purchased or acquired by the Company, the total number of Shares cancelled, the number of Shares held as Treasury Shares, the Company’s issued ordinary share capital before and after the Share Purchase, the amount of consideration paid by the Company for the purchase, and whether the Shares were purchased out of the profits or the capital of the Company.

Within 30 days of the cancellation or disposal of Treasury Shares in accordance with the provisions of the Companies Act, the Company shall lodge with ACRA the notice of cancellation or disposal of Treasury Shares in the prescribed form as required by ACRA.

### 2.6 Source of Funds

The Companies Act provides that any purchase or acquisition of shares by a company may be made out of the company’s capital or profits, so long as the company is solvent (as defined under paragraph 2.7 (*Solvency Test*) below). The Directors do not propose to exercise the Share Purchase Mandate in a manner and to such an extent that the working capital position and/or gearing of the Group would be materially adversely affected.

The Company intends to use internal sources of funds to finance purchases or acquisitions of its Shares. The amount of funding required for the Company to purchase or acquire its Shares and the financial impact on the Company and the Group arising from such Share Purchases will depend on, *amongst others*, the aggregate number of Shares purchased or acquired, the consideration paid at the relevant time and the amount (if any) borrowed by the Company to fund the purchases or acquisitions.

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### 2.7 Solvency Test

Under the Companies Act in force as at the Latest Practicable Date, we may not purchase or acquire Shares if we know that our Company is not solvent. For this purpose, a company is “solvent” if: –

- (a) the company is able to pay its debts in full at the time of the payment for the purchase or the acquisition and will be able to pay its debts as they fall due in the normal course of business during the period of 12 months immediately following the date of the payment; and
- (b) the value of the company’s assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the proposed purchase or acquisition become less than the value of its liabilities (including contingent liabilities), having regard to the most recent financial statements of the Company and all other circumstances that the Directors or managers of the Company know or ought to know affect, or may affect, such values.

### 2.8 Financial Effects

It is not possible for the Company to realistically calculate or quantify the impact of purchases or acquisitions that may be made pursuant to the Share Purchase Mandate on the financial effects as it would depend on factors such as the aggregate number of Shares purchased or acquired, the purchase prices paid at the relevant time, and the amount (if any) borrowed by the Company to fund the purchases, whether the purchase or acquisition is made out of profits or capital, and whether the Shares purchased are held in treasury or cancelled. The Company’s total number of issued Shares will be diminished by the total number of the Shares purchased by the Company and which are cancelled. The purchase price paid by the Company for the Shares, if made out of profits, such consideration (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the Share Purchase is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

The Directors do not propose to exercise the Share Purchase Mandate to such an extent that it would have a material adverse effect on the working capital position and/or gearing of the Group. The purchase of the Shares will only be effected after considering relevant factors such as the working capital requirement, availability of financial resources, the expansion and investment plans of the Group, and the prevailing market conditions.

**For illustrative purposes only**, the financial effects of the Share Purchase Mandate on the Company and the Group, based on the audited financial statements of the Group for the financial year ended 31 December 2023, are set out below based on the following assumptions: –

- (a) based on 580,712,400 Shares in issue as at the Latest Practicable Date and assuming no change in the number of Shares on or prior to the date of the FY2023 AGM and excluding Treasury Shares, such that not more than 58,071,240 Shares (representing not more than 10% of the total number of issued Shares as at that date) may be purchased or acquired by the Company pursuant to the Share Purchase Mandate;



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- (b) in the case of Market Purchases by the Company and assuming that the Company purchases or acquires 58,071,240 Shares at the Maximum Price of S\$0.03718 for one (1) Share, which is 5% above the Average Closing Price of the Shares for the five (5) consecutive Market Days on which the Shares were traded immediately preceding the Latest Practicable Date, the maximum amount of funds required for the purchase or acquisition of up to 58,071,240 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) under and during the duration of the Share Purchase Mandate, is approximately S\$2,159,000.
- (c) in the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 58,071,240 Shares at the Maximum Price of S\$0.04320 for one (1) Share, which is 20% above the Highest Last Dealt Price, the maximum amount of funds required for the purchase or acquisition of up to 58,071,240 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) under and during the duration of the Share Purchase Mandate, is approximately S\$2,509,000.

For illustrative purposes only, and based on the assumptions set out in sub-paragraphs (a), (b) and (c) above and assuming that:

- (i) the purchase or acquisition of Shares is financed solely by internal sources of funds;
- (ii) the Share Purchase Mandate had been effective on 1 January 2024; and
- (iii) the Company had purchased or acquired 58,071,240 Shares (representing not more than 10% of the total number of issued Shares at the Latest Practicable Date) on the Latest Practicable Date.

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The financial effects of the purchase or acquisition of 58,071,240 Shares by the Company pursuant to the Share Purchase Mandate on the audited financial statements of the Group and the Company for the financial year ended 31 December 2023 are set out below:

### Scenario A: Purchases made entirely out of capital and held as Treasury Shares

(\$'000)	Group			Company <sup>5</sup>		
	Before Share Purchase	After Share Purchase		Before Share Purchase	After Share Purchase	
		Market Purchase	Off Market Purchase		Market Purchase	Off Market Purchase
<b>As at 31 December 2023</b>						
Profit/(Loss) attributable to Owners of the Company	(2,805)	(2,805)	(2,805)	977	977	977
Share Capital	26,254	26,254	26,254	26,254	26,254	26,254
Translation Reserve	29	29	29	65	65	65
Retained Earnings	25,831	25,831	25,831	32,647	32,647	32,647
Capital Reserve	(58)	(58)	(58)	(58)	(58)	(58)
Treasury Shares	(30)	(2,189)	(2,539)	(30)	(2,189)	(2,539)
Equity attributable to owners of the Company	52,026	49,867	49,517	58,878	56,719	56,369
Non Controlling Interests	–	–	–	–	–	–
Total Equity	52,026	49,867	49,517	58,878	56,719	56,369
NTA	52,026	49,867	49,517	58,878	56,719	56,369
Current Assets	38,451	36,292	35,942	41,369	39,210	38,860
Current Liabilities	19,239	19,239	19,239	16,718	16,718	16,718
Working Capital	19,212	17,053	16,703	24,651	22,492	22,142
Total Borrowings	3,866	3,866	3,866	3,622	3,622	3,622
Number of Shares excluding Treasury Shares ('000)	580,712	522,641	522,641	580,712	522,641	522,641
Treasury Shares ('000)	834	58,905	58,905	834	58,905	58,905
<b>Financial Ratios</b>						
NTA per Share (Cents) <sup>1</sup>	8.96	9.54	9.47	10.14	10.85	10.79
Gearing (times) <sup>2</sup>	0.074	0.078	0.078	0.062	0.064	0.064
Current Ratio (times)	2.00	1.89	1.87	2.47	2.35	2.32
EPS (Cents) <sup>3</sup>	(0.48)	(0.54)	(0.54)	0.17	0.19	0.19
ROE (%) <sup>4</sup>	(5.39)	(5.62)	(5.66)	1.66	1.72	1.73

#### Notes:

- (1) NTA per Share equals NTA divided by number of Shares
- (2) Gearing equals total borrowings divided by Shareholders' equity
- (3) For illustrative purposes, EPS is calculated based on the number of Shares as at Latest Practicable Date excluding Treasury Shares
- (4) ROE equals profit attributable to Owners of the Company divided by Equity attributable to owners of the Company
- (5) Company level includes Taiwan Mun Siong Engineering Branch's financial results

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### Scenario B: Purchases made entirely out of capital and cancelled

(\$'000)	Group			Company <sup>5</sup>		
	Before Share Purchase	After Share Purchase Market Purchase	Off Market Purchase	Before Share Purchase	After Share Purchase Market Purchase	Off Market Purchase
<b>As at 31 December 2023</b>						
Profit/(Loss) attributable to Owners of the Company	(2,805)	(2,805)	(2,805)	977	977	977
Share Capital	26,254	24,065	23,715	26,254	24,065	23,715
Translation Reserve	29	29	29	65	65	65
Retained Earnings	25,831	25,831	25,831	32,647	32,647	32,647
Capital Reserves	(58)	(58)	(58)	(58)	(58)	(58)
Treasury Shares	(30)	–	–	(30)	–	–
Equity attributable to owners of the Company	52,026	49,867	49,517	58,878	56,719	56,369
Non Controlling Interests	–	–	–	–	–	–
Total Equity	52,026	49,867	49,517	58,878	56,719	56,369
NTA	52,026	49,867	49,517	58,878	56,719	56,369
Current Assets	38,451	36,292	35,942	41,369	39,210	38,860
Current Liabilities	19,239	19,239	19,239	16,718	16,718	16,718
Working Capital	19,212	17,053	16,703	24,651	22,492	22,142
Total Borrowings	3,866	3,866	3,866	3,622	3,622	3,622
Number of Shares excluding Treasury Shares ('000)	580,712	522,641	522,641	580,712	522,641	522,641
Treasury Shares ('000)	834	–	–	834	–	–
<b>Financial Ratios</b>						
NTA per Share (Cents) <sup>1</sup>	8.96	9.54	9.47	10.14	10.85	10.79
Gearing (times) <sup>2</sup>	0.074	0.078	0.078	0.062	0.064	0.064
Current Ratio (times)	2.00	1.89	1.87	2.47	2.35	2.32
EPS (Cents) <sup>3</sup>	(0.48)	(0.54)	(0.54)	0.17	0.19	0.19
ROE (%) <sup>4</sup>	(5.39)	(5.62)	(5.66)	1.66	1.72	1.73

**Notes:**

- (1) NTA per Share equals NTA divided by number of Shares
- (2) Gearing equals total borrowings divided by Shareholders' equity
- (3) For illustrative purposes, EPS is calculated based on the number of Shares as at Latest Practicable Date excluding Treasury Shares
- (4) ROE equals profit attributable to Owners of the Company divided by Equity attributable to owners of the Company
- (5) Company level includes Taiwan Mun Siong Engineering Branch's financial results

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Shareholders should note that the financial effects set out above are for illustrative purposes only. In particular, it is important to note that the above analysis is based on historical audited financial statements for the financial year ended 31 December 2023 and is not necessarily representative of future financial performance.

Although the Share Purchase Mandate would authorise the Company to purchase or acquire up to 10% of the issued Shares (excluding Treasury Shares), the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of the issued Shares (excluding Treasury Shares). In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased as Treasury Shares.

### 2.9 Take-over Implications

Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below.

#### 2.9.1 Obligation to make a take-over offer

If, as a result of any purchase or acquisition by the Company of the Shares, the proportionate interest in the voting capital of the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. Consequently, a Shareholder or a group of Shareholders acting in concert with a director could obtain or consolidate effective control of the Company and become obliged to make an offer under Rule 14 of the Take-over Code.

#### 2.9.2 Persons acting in concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of the company.

Unless the contrary is established, the following persons, *amongst others*, will be presumed to be acting in concert, namely: –

- (a) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the foregoing companies, any company whose associated companies include any of the foregoing companies, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing companies for the purchase of voting rights;
- (b) a company with any of its directors, together with their close relatives, related trusts and any companies controlled by any of the directors, their close relatives and related trusts; and
- (c) an individual, his close relatives, his related trusts, any person who is accustomed to act according to his instructions, companies controlled by any of the foregoing persons and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing persons and/or entities for the purchase of voting rights.

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For this purpose, ownership or control of at least 20% but not more than 50% of the voting rights of a company will be regarded as the test of associated company status.

The circumstances under which Shareholders, including directors and persons acting in concert with them respectively, will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

### **2.9.3 Effect of Rule 14 and Appendix 2 of the Take-over Code**

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring the Shares, the voting rights of such directors and their concert parties would increase to 30% or more, or in the event that such directors and their concert parties hold between 30% and 50% of the Company's voting rights, the voting rights of such directors and their concert parties would increase by more than 1% in any period of six (6) months. In calculating the percentages of voting rights by such directors and their concert parties, Treasury Shares shall be excluded.

Under Appendix 2 of the Take-over Code, a Shareholder who is not acting in concert with the directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company buying back its own Shares, the voting rights of such Shareholder will increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate.

Based on the shareholdings of the Directors in the Company as at the Latest Practicable Date, none of the Directors will become obligated to make a mandatory offer by reason only of the buying back of 10% of the Shares by the Company pursuant to the Share Purchase Mandate.

The directors are not aware of any Shareholder or group of Shareholders acting in concert who may become obligated to make a mandatory offer in the event that the directors exercise the power to repurchase Shares pursuant to the Share Purchase Mandate.

**Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of Share Purchase by the Company are advised to consult their professional advisers and/or the Securities Industry Council and/or other relevant authorities at the earliest opportunity.**

### **3 LISTING RULES**

While the Listing Manual does not expressly prohibit the purchase of shares by a listed company during any particular time or times, the listed company would be considered an "insider" in relation to any proposed purchase or acquisition of its issued shares. In this regard, the Company will not purchase any Shares pursuant to the Share Purchase Mandate after a price-sensitive development has occurred or has been the subject of a consideration and/or a decision of the Board of Directors of the Company until such time as the price-sensitive information has been publicly announced. In particular, the Company will

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## LETTER TO SHAREHOLDERS

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not purchase or acquire any Shares through Market Purchases and/or Off-Market Purchases during the following periods and at all times in compliance with Rule 1207(19) of the Listing Manual: –

- (a) one (1) month immediately preceding the announcement of the Company's half yearly or annual results; and
- (b) two (2) weeks immediately preceding the announcement of the Company's performance for each of the quarterly financial performance guidance updates.

The Company is required under Rule 723 of the Listing Manual to ensure that at least 10% of its Shares are in the hands of the public. The "public", as defined under the Listing Manual, are persons other than the directors, chief executive officer, substantial shareholders or controlling shareholders of a company and its subsidiaries, as well as the associates of such persons.

Based on the register of Directors' shareholdings and the register of Substantial Shareholders maintained by the Company as at the Latest Practicable Date, approximately 167,904,600 Shares, representing 28.9% of the total number of issued Shares (excluding Treasury Shares), are in the hands of the public. Assuming that the Company purchases its Shares through Market Purchases up to the full 10% limit pursuant to the Share Purchase Mandate, the number of Shares in the hands of the public would be reduced to 109,833,360 Shares, representing 21.0% of the reduced total number of issued Shares (excluding Treasury Shares) of the Company. Accordingly, the Company is of the view that there is a sufficient number of issued Shares held in the hands of the public which would permit the Company to undertake purchases or acquisitions of its Shares to the full 10% limit pursuant to the proposed Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity.

In undertaking any purchases or acquisitions of Shares through Market Purchases, the Directors will use their best efforts to ensure that, notwithstanding such purchases, a sufficient float in the hands of the public will be maintained so that the purchases or acquisitions of Shares will not adversely affect the listing status of the Shares on the SGX-ST, cause market illiquidity or adversely affect the orderly trading of the Shares.

#### **4 PREVIOUS SHARE PURCHASES**

In the last 12 months preceding the Latest Practicable Date, the Company acquire 800,000 Shares through Market Purchases pursuant to the share purchase mandate renewed at the AGM held on 21 April 2023. The average price paid per share was \$0.035 per share and the total consideration paid was S\$28,032. The shares purchased are kept as Treasury Shares.

#### **5 INTERESTED PERSONS**

The Company is prohibited from knowingly buying Shares on the SGX-ST from an interested person, that is, a Director, the chief executive officer of the Company or Substantial Shareholder of the Company or any of their associates, and an interested person is prohibited from knowingly selling his Shares to the Company.

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## LETTER TO SHAREHOLDERS

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### 6 DIRECTORS' AND SUBSTANTIAL SHAREHOLDER'S INTERESTS

#### 6.1 Interests of Directors and Substantial Shareholders

Assuming (a) the Company purchases the maximum number of 10% of the issued Shares of the Company as at the Latest Practicable Date; and (b) there is no change in the number of Shares held or deemed to be held by the Directors and Substantial Shareholders, based on the Register of Directors' Shareholdings of the Company and the Register of Substantial Shareholders of the Company maintained pursuant to Section 164 and Section 88 of the Companies Act respectively, as at the Latest Practicable Date, the shareholdings of the Directors and the Substantial Shareholder before and after the purchase of Shares were/will be as follows: –

<i>Directors</i>	<b>Before the Share Purchase (as at Latest Practicable Date)</b>		<b>After Share Purchase</b>	
	<b>Number of Shares</b>		<b>Total Percentage Interest (%)<sup>(1)</sup></b>	<b>Total Percentage Interest (%)<sup>(1)</sup></b>
	<b>Direct</b>	<b>Deemed</b>		
Cheng Woei Fen	278,997,600	36,167,400	54.27	60.30
Quek Kian Hui	86,376,800	–	14.87	16.53
David Tan Chao Hsiung	–	–	–	–
Mah Kai Leong	–	–	–	–
Elaine Beh Pur-Lin	–	–	–	–
Seah Hai Yang	–	–	–	–
<b><i>Substantial Shareholder (other than Directors)</i></b>				
Gabriel Quek Kian Teck	33,516,000	–	5.77	6.41

**Note:**

(1) Based on 580,712,400 Shares excluding Treasury Shares before the Share Purchase and 522,641,160 Shares excluding Treasury Shares after the Share Purchase.

Save as disclosed above, none of the Directors and Substantial Shareholder or their respective Associates have any interest, direct or indirect, in the proposed renewal of the Share Purchase Mandate.

#### 6.2 Limits on shareholdings

The Company does not have any limits on the shareholding of any Shareholder.

### 7 DIRECTORS' RECOMMENDATIONS

The Directors, having fully considered the rationale for the Share Purchase Mandate, are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of the ordinary resolution relating to the proposed renewal of the Share Purchase Mandate to be proposed at the FY2023 AGM.

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## LETTER TO SHAREHOLDERS

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### 8 ANNUAL GENERAL MEETING

The FY2023 AGM, notice of which is enclosed with the Annual Report will be held on Thursday, 25 April 2024 at 2.00 p.m., at 80 Jurong East Street 21, Devan Nair Institute for Employment and Employability, Singapore 609607, Event Hall 2, Level 1, for the purpose of considering and, if thought fit, passing the resolutions set out in the Notice of the AGM.

### 9 APPROVALS AND RESOLUTIONS

Shareholders' approval for the proposed renewal of the Share Purchase Mandate is sought at the FY2023 AGM. The respective resolutions relating to each of the proposed renewal of the Share Purchase Mandate is contained in the Notice of AGM as Ordinary Resolution 10 respectively.

### 10 DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Addendum and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Addendum constitutes full and true disclosure of all material facts about the proposed renewal of the Share Purchase Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Addendum misleading.

Where information in this Addendum has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Addendum in its proper form and context.

### 11 DOCUMENTS FOR INSPECTION

The following documents are available for inspection at the registered office of the Company at 26 Gul Way, Singapore 629199 during normal business hours for a period of three (3) months from the date of this Addendum: –

- (a) the Constitution of the Company;
- (b) the Annual Report of the Company for FY2023.

Yours faithfully  
For and on behalf of the Board of Directors

**MUN SIONG ENGINEERING LIMITED**

**Cheng Woei Fen**  
Executive Chairlady