Engineering Solutions
for a Challenging World

ANNUAL REPORT 2011

Hiap Seng Engineering Ltd

CONTENTS

WHAT WE DO

Plant Maintenence

Oil-and-Gas, Chemical & Utility Plant Maintenance

EPC

Process Equipment, Gas Compressors, FPSO Topsides & Tankfarms

Construction

Mechanical Construction of Oil-and-Gas Plants, Oil Storage Terminals & Pharmaceutical Plants

Hiap Seng Engineering Ltd

OUR VISION

To be a market leader, offering mechanical engineering services, plant fabrication & installation and plant maintenance services to the oil-and-gas, petrochemical and pharmaceutical industries in Singapore and beyond.

OUR MISSION

To deliver efficient, reliable and quality products and services to customers, maximum returns to shareholders and a rewarding work environment to employees.

OUR CORE VALUE

Courage, determination and great teamwork are the foundations for our success.

ABOUT THE GROUP

We are one of the leading integrated service providers of mechanical engineering, plant fabrication & installation and plant maintenance to the oil-and-gas (serving both upstream exploration and production as well as downstream refinery and storage), petrochemical and pharmaceutical industries in Singapore, Asia Pacific and other regions.

We are dedicated to providing our clients with efficient, reliable and quality products and services.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you our annual report for the financial year ended 31 March 2011 ("FY2011").

Our Performance

For FY2011, the Group recorded a net profit attributable to shareholders of S$8.0 million, a decrease of 74.5% compared to the previous financial year. This result was due to a 25.3% decrease in revenue to S$188.4 million from the previous financial year as well as higher operating costs and cost overruns on certain projects. Consequently, gross margins were lower as compared to the previous financial year.

Return on Equity and Return on Assets have both declined to 10.7% and 6.6% respectively from 39.6% and 21.0% in the previous financial year.

Business Review

During the financial year, we are pleased to have successfully completed and delivered major works for Neste Oil NExBTL project in Singapore as well as the delivery of several compressor packages to our overseas customers. We also performed plant maintenance works for oil-and-gas and petrochemical majors including Shell, ExxonMobil, Singapore Refining Company and Linde Gas Singapore.

We will continue to deliver efficient and reliable quality products and services to our customers, and focus on our core competencies in three business areas, namely, EPC of process equipment, gas compressors, FPSO topsides and tank-farms; construction of oil-and-gas, petrochemical and pharmaceutical plants; and plant maintenance. This is to not only ensure that existing customers will return with new contracts but also to showcase projects to market our services to potential customers in the region and beyond.

Looking ahead

The outlook for the oil-and-gas and petrochemical industries, which the Group serves, still remains positive. We expect the rising demand for fuels and chemicals in Asia and high crude oil prices to generate demand for downstream support industries in oil-and-gas and petrochemical processing facilities. The increasing demand for oil-and-gas should underpin prospects for process equipment, gas compressors and FPSO topsides, which are supporting the upstream exploration and production in the oil-and-gas industry.

As a testimony to our strong track record and reputation, we are honoured to have received several awards including Forbes' list of Top 200 Asia-Pacific firms with sales under US$1 billion in September 2010; Business Superbrands 2010 Award in Singapore which are awarded to some of the world's strongest examples of business to business brands; and bizSAFE STAR certification from the Workplace Safety and Health Council ("WSH") which involves five levels of recognition with bizSAFE STAR certification being the highest level.

In Singapore, an extensive upgrade to the country's petrochemical hub on Jurong Island will likely generate significant business opportunities for us. However, the business environment will be competitive due to the entry of new players and rising costs. We will continue to control costs and improve productivity. With our strong financial position and established track record, we will leverage on our experience and business network, and continue to explore new business opportunities in Singapore and beyond to enhance shareholder value.

Dividends

The Board is pleased to recommend a final tax exempt one-tier dividend of 1 cent per share to be paid on 26 August 2011. The proposed dividend which amounts to S$3 million, is subject to shareholders' approval at the Annual General Meeting to be held on 28 July 2011.

Together with the interim dividend of 1 cent per share paid on 18 January 2011, the total dividend payout for FY2011 is 2 cents per share amounting to S$6.1 million. This represents approximately 74.2% of our earnings for the year. Based on the share price of 50 cents on 31 March 2011, the payout translates to a dividend yield of about 4%.

Awards

As a testimony to our strong track record and reputation, we are honoured to receive the following awards:

- Forbes' list of Top 200 Asia-Pacific firms with sales under US$1 billion in September 2010. The list, called "Best Under A Billion," selects the top-performing firms with 12,000 publicly listed companies with sales of less than US$1 billion. Selections were based on companies' profitability, growth, modest indebtedness and future prospects.

- Business Superbrands 2010 Award in Singapore. The Business Superbrands status is awarded to some of the world's strongest examples of business to business brands.

- bizSAFE STAR certification from the Workplace Safety and Health Council ("WSH").The bizSAFE programme involves five levels of recognition with bizSAFE STAR certification being the highest level. This accreditation is only awarded to companies who engage an independent Singapore Accreditation Council accredited certification body to certify that their workplace safety and health management systems are certified to meet the OHSAS (Occupational Health & Safety Assessment Scheme) and the Risk Management requirements.

A Word of Thanks

On behalf of the Board, I wish to express my heartfelt thanks and gratitude to our business partners, associates, customers and shareholders for their support and confidence in us over the years. My heartfelt appreciation also goes to our dedicated management and staff for their passion, hard work and commitment to the Group. All of you have contributed greatly to the Group in this challenging period.

Tan Ah Lam, Frankie
Executive Chairman and Chief Executive Officer

OPERATIONS REVIEW

Financial Review

During the financial year ended 31 March 2011("FY2011"), the Group's revenue recorded a decline of 25.3%, from S$252.1 million to S$188.4 million. Net profit attributable to shareholders decreased 74.5% from S$31.5 million to S$8.0 million.

Apart from a negative impact from lower revenue, the net profit decrease was also due to lower margins owing to higher operating costs and cost overruns on certain projects as well as the foreign exchange loss of S$2.7 million which included unrealized loss of S$2.0 million for FY2011 as compared to S$1.4 million loss for FY2010. The exchange loss was primarily due to the weakening of the US Dollar against the Sing Dollar during the financial year under review.

Segmental Contributions

The Group's Plant Construction and Maintenance segment, which comprises about 68.7% of total revenue in FY2011, recorded a decrease in revenue by 40.9% to S$129.7 million in FY2011 from S$219.6 million in FY2010. This decrease was mainly due to the completion of several major projects during FY2010.

The Group's Compression and Process Equipment Fabrication segment, which makes up the remaining 31.3% of total revenue in FY2011, achieved a 82.3% increase in revenue to S$59.2 million from S$32.5 million in FY2010 as several compression packages in this segment were completed in FY2011.

Geographically, the Group's Singapore segment saw a 43.2% decrease in revenue to S$126.5 million in FY2011 compared to S$222.8 million in FY2010 mainly due to the completion of several major projects during FY2010. The Singapore segment accounted for 67.1% of total Group revenue in FY2011. The remaining 32.9% or S$61.9 million was contributed by other geographical segments - mainly China which contributed 27.0% or S$50.8 million of total Group revenue in FY2011. The Group's revenue from other geographical segments including China increased from S$29.3 million to S$61.9 million as major projects in other segments were completed in FY2011.

Strong Financial Position

The Group remains in a strong financial position. Group shareholders' funds decreased by S$4.2 million or 5.3%, from S$79.5 million or S$0.26 per share as at 31 March 2010 to S$75.3 million or S$0.25 per share as at 31 March 2011. The decrease is mainly due to the dividend payments of S$12.2 million in FY2011.

Group current assets decreased by 25.7 million or 19.0%, from S$135.4 million as at 31 March 2010 to S$109.7 million as at 31 March 2011. This was largely due to a decrease in trade and other receivables from S$96.5 million to S$62.5 million, as well as a decrease in inventories and contract work-

The Group has improved its net cash position by S$26.6 million in FY2011. As at 31 March 2011, its cash and cash equivalents stood at S$44.3 million or S$0.15 per share as compared to S$17.7 million or S$0.06 per share as at 31 March 2010.

in-progress from S$20.1 million to S$2.1 million. The decrease in trade and other receivables as at 31 March 2011 was due to more collections of the receivables in FY2011. The decrease in inventories and contract work-in-progress was in line with the lower level of project activities during FY2011.

The Group has improved its net cash position by S$26.6 million in FY2011. As at 31 March 2011, its cash and cash equivalents stood at S$44.3 million or S$0.15 per share as compared to S$17.7 million or S$0.06 per share as at 31 March 2010.

Business Review and Outlook

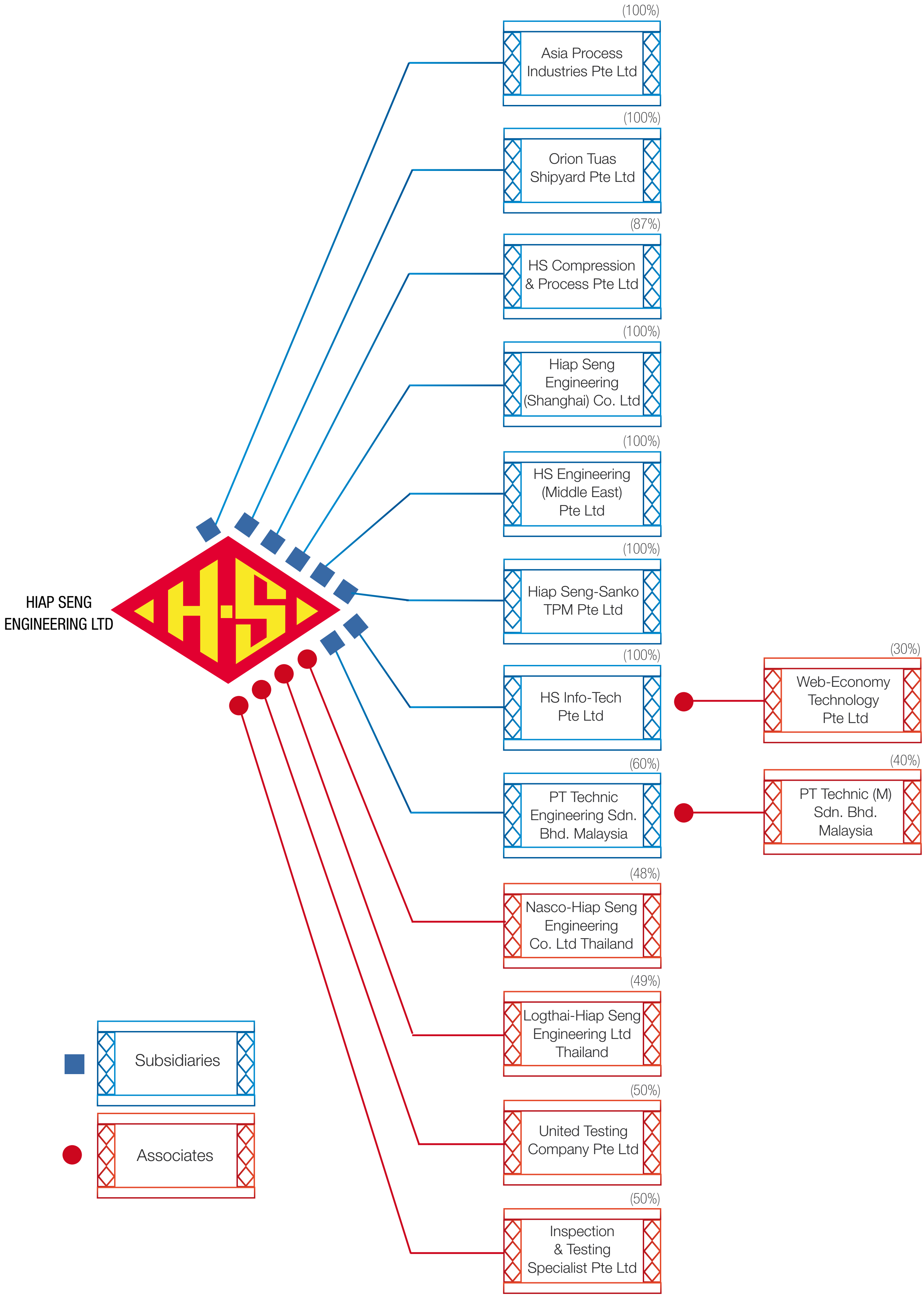
The Group has recently secured contracts for Tembusu WWTP BOP, Lanxess Butyl Rubber plant and the Singapore LNG Terminal project as well as a Turnaround Maintenance for Vietnam's Dung Quat Refinery. The order book amounted to about S$195 million as at 25 May 2011, a substantial portion of which is expected to be recognized as revenue in FY2012. Together with the ongoing plant maintenance works for the oil-and-gas and petrochemical customers, the Group is cautiously optimistic about its current financial year performance.

With a positive outlook for the oil-and-gas and petrochemical industries as well as our strong and long working relationships with the MNCs and our alliances with the respective parties including CNOOC and CNPC, we are confident of tapping both upstream and downstream business opportunities in Asia, the Middle East and other regions. However, the business environment will be competitive due to the entry of new players and rising costs. We will continue to control costs and improve productivity and with a strong financial position and established track record in Engineering, Procurement and Construction projects and plant maintenance services to the oil-and-gas and petrochemical customers, we will continue to explore new business opportunities to enhance shareholder value.

Proven Solutions Trusted Results

As a specialist integrated engineering group for the global oil-and-gas, petrochemical and pharmaceutical industries, Hiap Seng Engineering Ltd is proud to be conferred the bizSAFE STAR certification from the Workplace Safety and Health Council ("WSH") in January 2011. With proven safe work environment, The Group will continue to provide better engineering services and keep up with the competitiveness in the industry.

GROUP STRUCTURE



BOARD OF DIRECTORS

Tan Ah Lam Frankie
Executive Chairman and CEO

Tan Leau Kuee, Richard
Executive Director (Operations & Strategic Planning)

Tan Lian Chew
Executive Director (Finance)

Dr John Chen Seow Phun
Independent Director

Koh Kim Wah
Independent Director

M. Rajaram
Independent Director

CORPORATE INFORMATION

Board of Directors
Tan Ah Lam, Frankie
Executive Chairman and CEO

Tan Leau Kuee, Richard
Executive Director (Operations & Strategic Planning)

Tan Lian Chew
Executive Director (Finance)

Dr John Chen Seow Phun
Independent Director

Koh Kim Wah
Independent Director

M. Rajaram
Independent Director

Audit Committee
Dr John Chen Seow Phun, Chairman
Koh Kim Wah, Member
M. Rajaram, Member

Remuneration Committee
Koh Kim Wah, Chairman
M. Rajaram, Member
Dr John Chen Seow Phun, Member

Nominating Committee
M. Rajaram, Chairman
Koh Kim Wah, Member
Tan Ah Lam Frankie, Member

Company Secretaries
Tan Hak Jin, CPA
Low Siew Tian, ACIS

Investor Relations
Citigate Dewe Rogerson i.MAGE Pte Ltd
1 Raffles Place
#26-02 One Raffles Place
Singapore 048616
Tel: (65) 65345122
Fax: (65) 65344171

Registered Office
4 Benoi Place
Singapore 629925

Corporate Office
28 Tuas Crescent
Singapore 638719

Share Registrar
Boardroom Corporate & Advisory Services Pte Ltd.
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

Auditors
PricewaterhouseCoopers LLP
Public Accountants and Certified Public Accountants
8 Cross Street #17-00
PWC Building
Singapore 048424
Partner: Sim Hwee Cher
(Year of appointment: FY2007)

Solicitors
WongPartnership LLP
One George Street #20-01
Singapore 049145

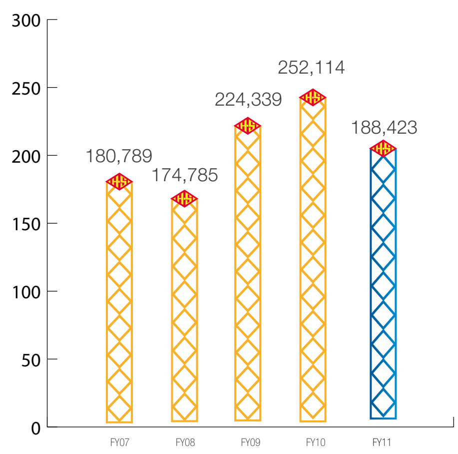
Straits Law Practice LLC
36, Robinson Road
18th Floor, City House
Singapore 068877

Principal Bankers
United Overseas Bank Limited
DBS Bank Ltd
Oversea-Chinese Banking Corporation Limited
Malayan Banking Berhad
The Hong Kong and Shanghai Banking Corporation Limited
Standard Chartered Bank

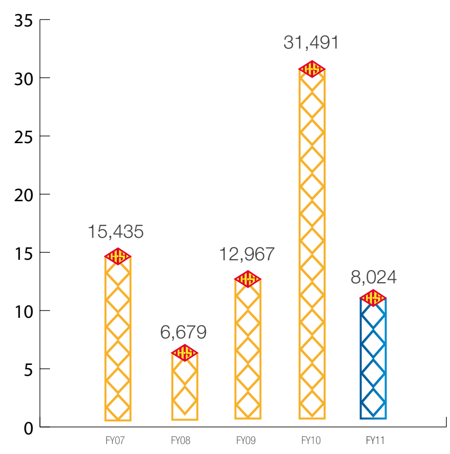
FINANCIAL HIGHLIGHTS

S$'000	FY2007	FY2008	FY2009	FY2010	FY2011
INCOME STATEMENT					
Revenue	180,789	174,785	224,339	252,114	188,423
Gross profit	31,925	23,047	34,028	55,415	25,563
Profit before tax	18,632	8,560	16,174	37,564	9,262
Profit attributable to shareholders	15,435	6,679	12,967	31,491	8,024
BALANCE SHEET					
Current assets	85,429	80,667	108,480	135,388	109,651
Non-current assets	16,485	17,136	15,218	14,598	12,335
Total assets	101,914	97,803	123,698	149,986	121,986
Current liabilities	40,361	46,247	64,820	67,614	44,043
Non-current liabilities	3,237	3,390	1,360	1,090	814
Total liabilities	43,598	49,637	66,180	68,704	44,857
Net assets	58,316	48,166	57,518	81,282	77,129
SHAREHOLDERS' EQUITY					
Share capital	36,178	36,178	36,178	36,178	36,178
Reserves	118	110	81	(35)	(122)
Retained profits	20,330	9,574	19,504	43,401	39,275
Shareholders' equity	56,626	45,862	55,763	79,544	75,331
Minority interests	1,690	2,304	1,755	1,738	1,798
Total equity	58,316	48,166	57,518	81,282	77,129
FINANCIAL RATIOS					
Gross profit margin	17.7%	13.2%	15.2%	22.0%	13.6%
Net profit margin	8.5%	3.8%	5.8%	12.5%	4.3%
Return on equity	27.3%	14.6%	23.3%	39.6%	10.7%
Return on assets	15.1%	6.8%	10.5%	21.0%	6.6%
PER SHARE DATA					
Earnings (cents)	5.5	2.2	4.3	10.4	2.6
Net asset value (cents)	18.6	15.1	18.4	26.2	24.8
Dividends (cents)	15.0	2.5	2.0	4.0	2.0

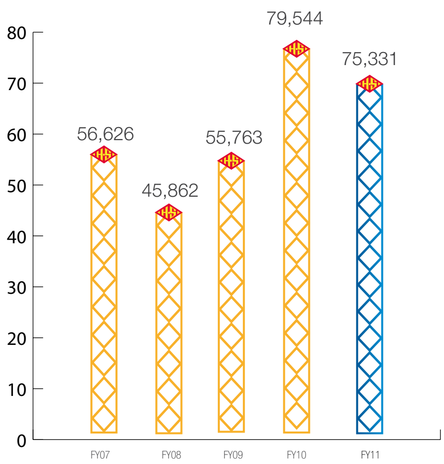
Revenue



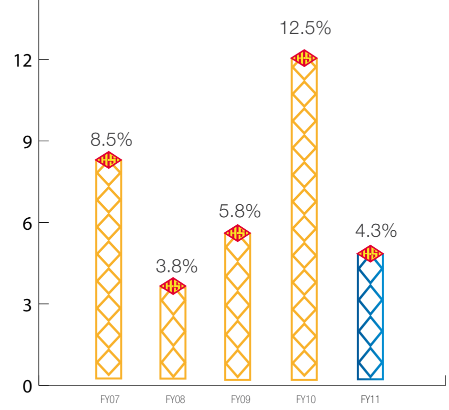
Profit Attributable to Shareholders



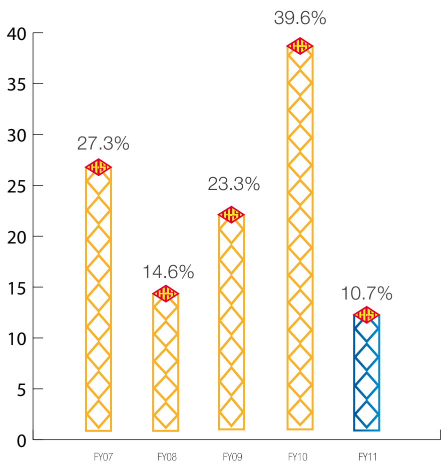
Shareholders' Equity



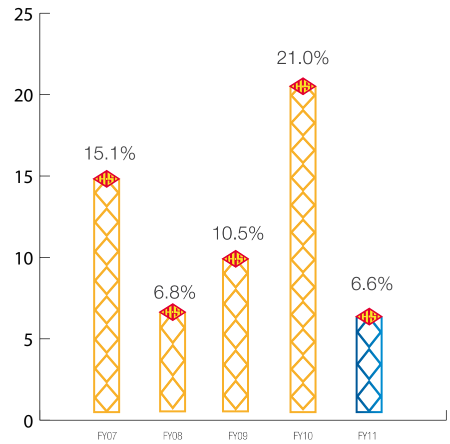
Net Profit Margin



Return on Equity



Return on Assets



Strength Experience

An Engineering Company driven by inspired and imaginative professionals that demonstrates expertise and excellence on all projects, the Group will continue to control costs and improve productivity. With the advantage of a strong financial position and established track record, it will continue to explore new business opportunities in Singapore and beyond to enhance shareholder value.

FINANCIAL CONTENTS

DIRECTORS' REPORT

For the financial year ended 31 March 2011

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 March 2011 and the balance sheet of the Company at 31 March 2011.

Directors

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

Tan Ah Lam
Tan Leau Kuee @ Tan Chow Kuee
Tan Lian Chew
Dr John Chen Seow Phun
Koh Kim Wah
M. Rajaram

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object 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 in shares or debentures

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director		Holdings in which a director is deemed to have an interest	
	At 31.3.2011	At 1.4.2010	At 31.3.2011	At 1.4.2010
Company				
(No. of ordinary shares)				
Tan Ah Lam	**3,319,500**	3,319,500	**70,788,639**	70,788,639
Tan Leau Kuee @ Tan Chow Kuee	**–**	–	**70,788,639**	70,788,639
Tan Lian Chew	**3,080,761**	3,080,761	**–**	–
Koh Kim Wah	**–**	–	**278,000**	278,000
M. Rajaram	**300,000**	300,000	**–**	–

(b) Messrs Tan Ah Lam and Tan Leau Kuee @ Tan Chow Kuee, who by virtue of their interests of not less than 20% of the issued capital of the Company, are deemed to have an interest in the whole of the share capital of the Company's wholly-owned subsidiaries and in the shares held by the Company in the following subsidiaries that are not wholly-owned by the Group:

	No. of ordinary shares	
	At 31.3.2011	At 1.4.2010
HS Compression & Process Pte Ltd	**4,743,750**	4,743,750
PT Technic Engineering Sdn. Bhd.	**5,000,000**	5,000,000

(c) The directors' interests in the ordinary shares of the Company as at 21 April 2011 were the same as those as at 31 March 2011.

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report.

Share options

There were no options granted during the financial year to subscribe for unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company or any subsidiary under option at the end of the financial year.

Audit Committee

The members of the Audit Committee at the end of the financial year were as follows:

Dr John Chen Seow Phun (Chairman)
Mr Koh Kim Wah
Mr M. Rajaram

All members of the Audit Committee are non-executive and independent directors. The directors recognise the importance of corporate governance and the offering of high standards of accountability to the shareholders of the Company. The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the Committee performed the following functions:

(a) review the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;

(b) review the scope and the results of internal audit procedures with the internal auditor;

(c) review the assistance given by the Company's management to the independent auditor;

(d) review the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 March 2011 before their submission to the Board of Directors, as well as the independent auditor's report on the balance sheet of the Company and the consolidated financial statements of the Group; and

(e) review interested person transactions; if any.

Apart from the duties listed above, the Audit Committee shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal control or infringement of any law, rule or regulation which has or is likely to have a material impact to the Group's operating results and/or financial position.

The Audit Committee has recommended to the Board that the independent auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company. The Audit Committee has conducted annual review of the non-audit services to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the independent auditor before confirming their re-nomination.

Independent auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

TAN AH LAM Director	TAN LEAU KUEE @ TAN CHOW KUEE Director

4 July 2011

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 8 to 65 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2011 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; 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.

On behalf of the directors

TAN AH LAM
Director

TAN LEAU KUEE @ TAN CHOW KUEE
Director

4 July 2011

INDEPENDENT AUDITOR'S REPORT

to the members of Hiap Seng Engineering Ltd

We have audited the accompanying financial statements of Hiap Seng Engineering Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 19 to 61, which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 March 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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 Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, 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 that 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 sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2011, and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and

Report on other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers LLP
Public Accountants and Certified Public Accountants

Singapore, 4 July 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 March 2011

	Note	Group 2011 $'000	Group 2010 $'000
Revenue	4	188,423	252,114
Cost of services rendered	5	(162,860)	(196,699)
Gross profit		25,563	55,415
Other losses - net	7	(2,027)	(1,048)
Expenses			
- Administrative	5	(13,934)	(17,533)
- Finance	8	(49)	(32)
		9,553	36,802
Share of (losses)/profits of associated companies	17	(291)	762
Profit before income tax		9,262	37,564
Income tax expense	9	(1,178)	(6,090)
Net profit		8,084	31,474
Other comprehensive loss:			
Financial assets, available-for-sale, fair value losses		–	(37)
Currency translation differences arising from consolidation		(87)	(79)
Other comprehensive loss, net of tax		(87)	(116)
Total comprehensive income		7,997	31,358
Profit attributable to:			
Equity holders of the Company		8,024	31,491
Non-controlling interests		60	(17)
		8,084	31,474
Total comprehensive income attributable to:			
Equity holders of the Company		7,939	31,375
Non-controlling interests		58	(17)
		7,997	31,358
Earnings per share attributable to equity holders of the Company (expressed in cents per share)			
Basic and diluted	10	2.64	10.37

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

BALANCE SHEETS

As at 31 March 2011

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
ASSETS					
Current assets					
Cash and cash equivalents	11	44,298	17,679	29,233	9,899
Trade and other receivables	12	62,503	96,494	40,465	75,920
Inventories	13	–	2,093	–	–
Construction contract work-in-progress	14	2,120	18,044	1,472	17,716
Other current assets	15	730	1,078	417	564
		109,651	135,388	71,587	104,099
Non-current assets					
Other receivables	16	250	257	–	–
Investments in associated companies	17	1,894	2,199	979	1,436
Investments in subsidiaries	18	–	–	8,255	8,282
Investment property	19	–	–	208	417
Property, plant and equipment	20	9,723	11,723	8,314	9,957
Deferred income tax assets	25	105	105	–	–
Club memberships	21	363	314	298	249
		12,335	14,598	18,054	20,341
Total assets		121,986	149,986	89,641	124,440
LIABILITIES					
Current liabilities					
Trade and other payables	22	40,873	61,438	22,154	47,672
Current income tax liabilities	9	1,310	5,877	851	4,978
Borrowings	23	1,860	299	176	291
		44,043	67,614	23,181	52,941
Non-current liabilities					
Borrowings	23	57	199	–	176
Deferred income tax liabilities	25	757	891	698	829
		814	1,090	698	1,005
Total liabilities		44,857	68,704	23,879	53,946
NET ASSETS		77,129	81,282	65,762	70,494
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	26	36,178	36,178	36,178	36,178
Other reserves	27	(122)	(35)	–	–
Retained profits	28	39,275	43,401	29,584	34,316
		75,331	79,544	65,762	70,494
Non-controlling interests		1,798	1,738	–	–
Total equity		77,129	81,282	65,762	70,494

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 March 2011

		Attributable to equity holders of the Company					
	Note	Share capital $'000	Other reserves $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
2011							
Beginning of financial year		36,178	(35)	43,401	79,544	1,738	81,282
Total comprehensive income for the year		–	(87)	8,024	7,937	60	7,997
Dividends paid	29	–	–	(12,150)	(12,150)	–	(12,150)
End of financial year		36,178	(122)	39,275	75,331	1,798	77,129
2010							
Beginning of financial year		36,178	81	19,504	55,763	1,755	57,518
Total comprehensive income for the year		–	(116)	31,491	31,375	(17)	31,358
Dividends paid	29	–	–	(7,594)	(7,594)	–	(7,594)
End of financial year		36,178	(35)	43,401	79,544	1,738	81,282

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2011

	Note	2011 $'000	2010 $'000
Cash flows from operating activities			
Net profit		8,084	31,474
Adjustments for:			
- Income tax expense		1,178	6,090
- Property, plant and equipment written off		–	57
- Amortisation, depreciation and impairment		2,698	2,871
- Net gain on disposals of property, plant and equipment		(53)	(10)
- Net loss on disposal of financial assets, available-for-sale		–	37
- Profit on disposal of club membership		–	(10)
- Unrealised currency translation gains		(72)	(127)
- Interest expense		49	32
- Interest income		(525)	(286)
- Share of loss/(profit) from associated companies		291	(762)
		11,650	39,366
Change in working capital			
- Inventories and construction contract work-in-progress		18,017	(5,270)
- Trade and other receivables		33,991	(30,881)
- Other current assets		347	159
- Trade and other payables		(20,565)	85
Cash generated from operations		43,440	3,459
Income tax paid		(5,879)	(3,390)
Net cash provided by operating activities		37,561	69
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		120	36
Purchases of property, plant and equipment		(785)	(1,689)
Disposals of financial assets available-for-sale		–	1,000
Proceeds from sale of club membership		(49)	157
Interest received		526	286
Net cash used in investing activities		(188)	(210)
Cash flows from financing activities			
Dividends paid to equity holders of the Company		(12,150)	(7,594)
Decrease/(Increase) in bank deposits pledged		1,002	(1,047)
Repayment of lease liabilities		(246)	(254)
Interest paid		(49)	(32)
Net cash used in financing activities		(11,443)	(8,927)
Net increase/(decrease) in cash and cash equivalents		25,930	(9,068)
Cash and cash equivalents at beginning of financial year		16,090	25,177
Effects of currency translation on cash and cash equivalents		26	(19)
Cash and cash equivalents at end of financial year	11	42,046	16,090

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

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

Hiap Seng Engineering Ltd (the "Company") is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 4 Benoi Place, Singapore 629925.

The principal activities of the Company consist of the provision of mechanical engineering services, plant fabrication and installation and plant maintenance for the petroleum and petrochemical industry and also that of an investment holding company. The principal activities of the subsidiaries are set out in Note 37 to the financial statements.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2010

On 1 April 2010, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The following are the new or revised FRS and INT FRS that are relevant to the Group:

- FRS 27 (revised) Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2010) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of the revised FRS does not have an impact on the Group as there were no transactions with non-controlling interests during the current financial year.

- FRS 103 (revised) Business Combinations (effective for annual periods beginning on or after 1 July 2010) continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through profit or loss. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The adoption of the revised FRS does not have an impact on the Group as there were no business combinations made in the current financial year.

2.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group's activities. Revenue is presented, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group.

2. Significant accounting policies (continued)

2.2 Revenue recognition (continued)

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectibility of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) Rendering of services

Revenue from maintenance services is recognised when the services are rendered, using a contracted unit rate.

(b) Construction of specialised equipment

Please refer to the paragraph "Construction Contracts" for the accounting policy for revenue from construction contracts.

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.3 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are entities over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(ii) Acquisition of businesses

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(a) *Subsidiaries* (continued)

(ii) *Acquisition of businesses* (continued)

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. Please refer to the paragraph "Intangible assets - Goodwill" for the subsequent accounting policy on goodwill.

(iii) *Disposals of subsidiaries or businesses*

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries and associated companies" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(b) *Transactions with non-controlling interests*

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Group. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in a separate reserve within equity attributable to the equity holders of the Company.

(c) *Associated companies*

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies represents the excess of the cost of acquisition of the associate over the Group's share of the fair value of the identifiable net assets of the associate and is included in the carrying amount of the investments.

In applying the equity method of accounting, the Group's share of its associated companies' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associated companies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(c) Associated companies (continued)

Gains and losses arising from partial disposals or dilutions in investments in associated companies are recognised in profit or loss.

Investments in associated companies are derecognised when the Group loses significant influence. Any retained interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained investment at the date when significant influence is lost and its fair value is recognised in profit or loss.

Please refer to paragraph “Investments in subsidiaries and associated companies” for the accounting policy on investments in associated companies in the separate financial statements of the Company.

2.4 Property, plant and equipment

(a) Measurement

(i) Land and buildings

Land and buildings are initially recognised at cost. Freehold land is subsequently carried at cost less accumulated impairment losses. Buildings and leasehold land are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) Other property, plant and equipment

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(iii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(b) Depreciation

Freehold land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Buildings	10 - 30 years
Motor vehicles	4 years
Plant and equipment	1 - 15 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expense is recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within ‘Other losses - net’.

2. Significant accounting policies (continued)

2.5 Contract to construct specialised equipment ("Construction contracts")

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date ("percentage-of-completion method"). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in the contract work and claims that can be measured reliably. A variation or a claim is recognised as contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

The stage of completion is measured based on a survey of work performed or by reference to the ratio of contract costs incurred to date to the estimated total costs for the contract. Costs incurred during the financial year in connection with future activity on a contract are excluded from costs incurred to date when determining the stage of completion of a contract. Such costs are shown as construction contract work-in-progress on the balance sheet unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

At the balance sheet date, the aggregated costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where the cumulative costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as due from customers on construction contracts, within "trade and other receivables". Where progress billings exceed cumulative costs incurred plus recognised profits (less recognised losses), the balance is presented as due to customers on construction contracts within "trade and other payables".

Progress billings not yet paid by customers and retentions are included within "trade and other receivables". Advances received are included within "trade and other payables".

2.6 Investment property

Investment property comprises significant portions of leasehold office building that are held by the holding company for long-term yields and/or for capital appreciation.

Investment property is initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method to allocate depreciable amounts over the period of the leases of 10 years. The residual values, useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in profit or loss when the changes arise.

Investment property is subjected to valuation by independent professional valuers on the highest-and-best use basis and the valuation is disclosed in Note 19.

2.7 Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiaries and associated companies, the difference between disposal proceeds and the carrying amounts of the investments is recognised in profit or loss.

2.8 Impairment of non-financial assets

Club memberships
Property, plant and equipment
Investments in subsidiaries and associated companies
Investment properties

Club memberships, property, plant and equipment, investments in subsidiaries and associated companies and investment properties are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

2. Significant accounting policies (continued)

2.8 Impairment of non-financial assets (continued)

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating-unit ("CGU") to which the asset belongs.

Club memberships
Property, plant and equipment
Investments in subsidiaries and associated companies
Investment properties

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation and depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset is recognised in profit or loss.

2.9 Financial assets

(a) Classification

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "cash and cash equivalents" and "trade and other receivables" except for non-current interest-free receivables from subsidiaries which are considered to be part of the Company's net investment in the subsidiaries which have been accounted for in accordance with Note 2.7.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is also taken to profit or loss.

(c) Measurement

Financial assets are initially recognised at fair value plus transaction costs.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(d) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(d) *Impairment* (continued)

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of the impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

2.10 Financial guarantees

The Group and the Company have issued corporate guarantees to banks for bank borrowings of its subsidiaries and associated companies. These guarantees are financial guarantees as they require the Group and the Company to reimburse the banks if the subsidiaries or associated companies fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Group's and the Company's balance sheets.

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiaries' and associated companies' borrowings, unless it is probable that the Group and the Company will reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the bank in the Group's and the Company's balance sheets.

Intragroup transactions are eliminated on consolidation.

2.11 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.12 Trade and other payables

Trade and other payables are initially measured at fair value, and subsequently carried at amortised cost, using the effective interest rate method.

2.13 Fair value estimation of financial assets and liabilities

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analyses, are also used to determine the fair values of the financial instruments.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2. Significant accounting policies (continued)

2.14 Leases

The Group leases motor vehicles and certain property, plant and equipment under finance leases and land, factories and offices under operating leases from non-related parties.

(a) Finance leases

Leases where the Group assumes substantially the risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as property, plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair values of the leased assets and the present values of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(b) Operating leases

Leases of factories and offices where the Group and Company retain substantially all risks and rewards incidental to ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease.

When a lease is terminated before the lease period expires, any payment made by the Group as a penalty is recognised as an expense when termination takes place.

2.15 Inventories

Inventories consist of materials and supplies to be consumed in the rendering of the services. Inventories are carried at the lower of cost and net realisable value. The costs of finished goods comprise raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but exclude borrowing costs. Net realisable value is the estimated selling price of these services less the applicable costs of conversion to complete the services and variable selling expenses.

2.16 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries and associated companies, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

2. Significant accounting policies (continued)

2.16 Income taxes (continued)

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.17 Provisions

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

2.18 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2.19 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollar, which is the functional currency of the Group.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the date of transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss, unless they arise from borrowings in foreign currencies, other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to profit or loss as part of the gain or loss on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) Translation of Group entities' financial statements

The results and financial positions of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing exchange rates at the date of that balance sheet;

(ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) All resulting currency translation differences are recognised in the currency translation reserve.

2. Significant accounting policies (continued)

2.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the management team comprising the Chairman and Chief Executive Officer, Executive Director, Finance Director, Chief Financial Officer and the general managers of each business segment who are responsible for allocating resources and assessing performance of the operating segments.

2.21 Cash and cash equivalents

For the purpose of presentation in the consolidated cash flow statement, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, bank overdrafts and restricted bank deposits. Bank overdrafts are presented as current borrowings on the balance sheet.

2.22 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.23 Dividends to Company's shareholders

Dividends to Company's shareholders are recognised when the dividends are approved for payments.

2.24 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are deducted in reporting the related expenses.

Government grants relating to assets are deducted against the carrying amount of the assets.

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Construction contracts

The Group uses the percentage-of-completion method to account for its contract revenue. The stage of completion is measured by reference to the contract costs incurred to date compared to the estimated total costs for the contract.

Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect the stage of completion and the contract revenue, respectively. In making these estimates, management has relied on past experience and the work of surveyors.

If the estimated revenue on contracts that are work-in-progress increases/decreases by 10% from management's estimates, the Group's revenue will increase/decrease by $5,372,000 (2010: $13,522,000).

If the estimated contract revenue and contract costs to be incurred increases/decreases by 10% from management's estimates, the Group's profit will increase/decrease by $791,000 (2010: $1,741,000).

4. Revenue

	Group	
	2011	2010
	$'000	$'000
Service revenue	188,047	251,718
Management fees	119	118
Facilities fees	257	278
Total revenue	188,423	252,114

5. Expenses by nature

	Group	
	2011	2010
	$'000	$'000
Sub-contractor charges	90,000	92,443
Structural materials and other related costs	24,673	22,857
Employee compensation (Note 6)	48,422	75,401
Rental on operating leases	1,155	1,053
Transportation & logistic expense	5,126	15,763
Professional fees	421	315
Directors' fees	217	241
Utilities expense	786	883
Depreciation of property, plant and equipment (Note 20)	2,698	2,871
Entertainment and travelling expenses	825	553
Computer and automation expense	521	591
Property, plant and equipment written off	-	57
Write-back of impairment in trade receivables	(16)	(556)
Maintenance expense	653	426
Other expenses	1,313	1,334
Total cost of services rendered and administrative expenses	176,794	214,232

6. Employee compensation

	Group	
	2011	2010
	$'000	$'000
Wages and salaries	46,839	74,581
Government grant-Jobs Credit Scheme	(67)	(929)
Employer's contribution to defined contribution plans including Central Provident Fund	1,650	1,749
	48,422	75,401

The Jobs Credit Scheme is a cash grant introduced in the Singapore Budget 2009 to help businesses preserve jobs in the economic downturn. The amount an employer can receive depends on the fulfilment of certain conditions as stated in the scheme.

7. Other losses - net

	Group 2011 $'000	Group 2010 $'000
Interest income	525	286
Currency exchange loss - net	(2,708)	(1,420)
Gain on disposal of property, plant and equipment	53	10
Sundry gain	103	76
	(2,027)	(1,048)

8. Finance expenses

	Group 2011 $'000	Group 2010 $'000
Interest expense:		
- Finance lease liabilities	18	30
- Bank overdrafts	27	–
- Trust receipt creditors	4	2
	49	32

9. Income taxes

(a) Income tax expense

	Group 2011 $'000	Group 2010 $'000
Tax expense attributable to profit is made up of:		
Profit from current financial year:		
Current income tax		
- Singapore	1,450	5,919
- Foreign	145	131
	1,595	6,050
Deferred income tax (Note 25)	(134)	–
	1,461	6,050
(Over)/under provision in prior financial years:		
Current income tax	(283)	40
Deferred income tax	–	–
	1,178	6,090

9. Income taxes (continued)

(a) Income tax expense (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as explained below:

	Group	
	2011 $'000	2010 $'000
Profit before tax	9,262	37,564
Tax calculated at a tax rate of 17% (2010: 17%)	1,575	6,386
Effects of:		
- Different tax rates in other countries	(5)	(38)
- Income not subject to tax	(369)	(367)
- Expenses not deductible for tax purposes	254	121
- Deferred tax assets not recognised	(2)	21
- Others	8	(73)
	1,461	6,050

(b) As at 31 March 2011, a Malaysian subsidiary has brought forward tax exempt income amounting to approximately RM2,410,000 (equivalent of $1,004,000) [2010: RM2,410,000 (equivalent of $1,034,000)]. This amount arose from the waiver of tax payable on chargeable income earned by the subsidiary in 1999 and is available for distribution as tax exempt dividends. The directors of the Malaysian subsidiary are of the opinion that based on the estimated tax credit available, the tax exempt income account and the prevailing tax rate applicable to dividends, the unappropriated profit of the subsidiary as of 31 March 2011 is available for distribution by way of cash dividends without incurring additional tax liability.

(c) Movements in current income tax liabilities

	Group		Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Beginning of the financial year	5,877	3,177	4,978	1,313
Income tax paid - net	(5,879)	(3,390)	(4,969)	(1,546)
Tax expense on profit for the current financial year	1,595	6,050	1,075	5,211
(Over)/under provision in prior financial years	(283)	40	(233)	–
End of the financial year	1,310	5,877	851	4,978

10. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2011	2010
Net profit attributable to equity holders of the Company ($'000)	**8,024**	31,491
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**303,750**	303,750
Basic earnings per share (cents per share)	**2.64**	10.37

The diluted earnings per share is the same as the basic earnings per share for the financial years ended 31 March 2011 and 31 March 2010 as the Group did not have any potential ordinary shares outstanding as at 31 March 2011 and 31 March 2010.

11. Cash and cash equivalents

	Group		Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**33,992**	15,916	**21,034**	8,725
Short-term bank deposits	**10,306**	1,763	**8,199**	1,174
	44,298	17,679	**29,233**	9,899

The Group has restricted bank deposits amounting to $587,000 (2010: $1,589,000) which are secured against banking facilities (Note 23).

For the purposes of presenting the consolidated statement of cash flows, the consolidated cash and cash equivalents comprise the following:

	Group	
	2011	2010
	$'000	$'000
Cash and bank balances (as above)	**44,298**	17,679
Less: Bank deposits pledged	**(587)**	(1,589)
Less: Bank overdrafts (Note 23)	**(1,665)**	–
Cash and cash equivalents per consolidated statement of cash flows	**42,046**	16,090

12. Trade and other receivables - current

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Trade receivables:				
- Non-related parties	28,808	61,776	12,698	38,839
- Subsidiaries	–	–	1,357	577
- Associated companies	4,098	3,199	3,538	2,942
	32,906	64,975	17,593	42,358
Less: Allowance for impairment of receivables				
- non-related parties	(228)	(2,801)	–	–
Trade receivables - net	32,678	62,174	17,593	42,358
Construction contracts:				
- Due from customers (Note 14)	23,324	29,068	16,226	28,535
- Retentions (Note 14)	1,217	641	–	–
	24,541	29,709	16,226	28,535
Other receivables	51	19	–	–
Loans to non-related parties	900	–	900	–
Staff advances	75	57	34	54
Loans to subsidiaries [Note 33(c)]	–	–	929	300
Loans to associated companies [Note 33(d)]	4,001	4,402	4,001	4,402
Non-trade receivables:				
- Subsidiaries [Note 33(e)]	–	–	525	138
- Associated companies [Note 33(f)]	257	133	257	133
	62,503	96,494	40,465	75,920

Trade receivables due from non-related parties include progress billings of certain contracts of the subsidiary amounting to RM Nil (equivalent of $ Nil) [2010: RM3,000,000 (equivalent of $1,287,000)] secured for bank overdraft facilities (Note 23).

The loan to non-related parties is unsecured and repayable in full by 30 November 2011. Interest is fixed at 6% per annum.

13. Inventories

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Finished goods, mainly consumables	–	2,093	–	–

During the year, the Group transferred the finished goods into cost of services rendered as part of the materials involved in the construction contracts.

14. Construction contracts

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Construction contract work-in-progress:				
Beginning of financial year	18,044	12,781	17,716	11,322
Contract costs incurred	49,530	106,028	45,591	100,441
Contract expenses recognised in profit or loss	(65,454)	(100,765)	(61,835)	(94,047)
End of financial year	2,120	18,044	1,472	17,716
Aggregate costs incurred and profits recognised (less losses recognised) to date on uncompleted construction contracts	97,370	105,377	54,765	103,451
Less: Progress billings	(74,078)	(82,894)	(38,539)	(74,916)
	23,292	22,483	16,226	28,535
Presented as:				
Due from customers on construction contracts (Note 12)	23,324	29,068	16,226	28,535
Due to customers on construction contracts (Note 22)	(32)	(6,585)	–	–
	23,292	22,483	16,226	28,535
Retentions on construction contracts (Note 12)	1,217	641	–	–

15. Other current assets

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Deposits	282	558	97	166
Prepayments	448	520	320	398
	730	1,078	417	564

16. Other receivables - non-current

Other receivables comprise advances to directors and shareholders of an associated company. They are denominated in Malaysian Ringgit, unsecured, interest-free with no fixed terms of repayment but substantial repayments are not expected within the next twelve months from the balance sheet date. The carrying amounts of the advances to directors and shareholders of an associated company approximate their fair values.

17. Investments in associated companies

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Equity investments at cost			3,034	3,034
Less: Impairment losses			(2,055)	(1,598)
			979	1,436
Beginning of financial year	2,199	1,429		
Currency translation differences	(14)	8		
Share of (losses)/profits	(291)	762		
End of financial year	1,894	2,199		

17. Investments in associated companies (continued)

The increase in impairment loss in the current financial year is due to losses incurred by the associated companies.

The summarised financial information of associated companies, not adjusted for the proportion ownership interest held by the Group, is as follows:

	Group	
	2011	2010
	$'000	$'000
- Assets	17,297	20,157
- Liabilities	14,571	16,476
- Revenues	16,560	15,064
- Net (loss)/profit	(833)	1,089
Contingent liabilities in which the Group is severally liable	7,102	7,609

Details of associated companies are provided in Note 37.

18. Investments in subsidiaries

	Company	
	2011	2010
	$'000	$'000
Equity investments at cost		
Beginning of financial year	8,175	8,318
Less: Impairment losses	(42)	(143)
	8,133	8,175
Loan to a subsidiary	122	107
End of financial year	8,255	8,282

Loan to a subsidiary is non-trade related, unsecured, interest-free and has no fixed terms of repayment. This loan is considered to be part of the Company's net investment in the subsidiary.

Details of subsidiaries are included in Note 37.

For the financial year ended 31 March 2010, the impairment charge on investments in subsidiaries arose in respect of a trade receivable in which the Malaysian subsidiary had lodged a legal claim against (Note 30).

In the current financial year, the impairment charge arose due to losses incurred in the Malaysian subsidiary.

19. Investment property

	Company 2011 $'000	Company 2010 $'000
Cost		
Beginning and end of financial year	1,797	1,797
Accumulated depreciation		
Beginning of financial year	1,380	1,171
Depreciation charge	209	209
End of financial year	1,589	1,380
Net book value		
End of financial year	208	417

(a) The fair value of the investment property of the Company at the balance sheet date is $730,000 (2010: $1,000,000).

(b) The investment property was valued by an independent professional valuer based on the property's highest-and-best-use using the Direct Market Comparison Method at the balance sheet date.

20. Property, plant and equipment

	Freehold land $'000	Freehold buildings $'000	Leasehold buildings $'000	Plant and machinery $'000	Motor vehicles $'000	Furniture, fittings and equipment $'000	Total $'000
Group							
2011							
Cost							
Beginning of financial year	174	273	11,720	17,216	3,769	4,791	37,943
Additions	–	–	89	324	164	208	785
Disposals	–	–	–	(112)	(61)	(22)	(195)
Write off	–	–	–	(37)	–	(2)	(39)
Currency translation differences	(5)	(8)	–	(20)	(9)	(10)	(52)
End of financial year	169	265	11,809	17,371	3,863	4,965	38,442
Accumulated depreciation							
Beginning of financial year	–	58	6,860	12,748	2,796	3,758	26,220
Depreciation charge	–	5	828	952	440	473	2,698
Disposals	–	–	–	(47)	(61)	(20)	(128)
Write off	–	–	–	(37)	–	(2)	(39)
Currency translation differences	–	(1)	–	(15)	(6)	(10)	(32)
End of financial year	–	62	7,688	13,601	3,169	4,199	28,719
Net book value							
End of financial year	169	203	4,121	3,770	694	766	9,723

20. Property, plant and equipment (continued)

	Freehold land $'000	Freehold buildings $'000	Leasehold buildings $'000	Plant and machinery $'000	Motor vehicles $'000	Furniture, fittings and equipment $'000	Total $'000
Group							
2010							
Cost							
Beginning of financial year	170	265	11,359	16,801	3,773	5,497	37,865
Additions	–	–	361	685	276	367	1,689
Disposals	–	–	–	(286)	(287)	(1,083)	(1,656)
Currency translation differences	4	8	–	16	7	10	45
End of financial year	174	273	11,720	17,216	3,769	4,791	37,943
Accumulated depreciation							
Beginning of financial year	–	51	6,026	12,016	2,611	4,190	24,894
Depreciation charge	–	5	834	950	447	635	2,871
Disposals	–	–	–	(229)	(267)	(1,077)	(1,573)
Currency translation differences	–	2	–	11	5	10	28
End of financial year	–	58	6,860	12,748	2,796	3,758	26,220
Net book value							
End of financial year	174	215	4,860	4,468	973	1,033	11,723

	Leasehold buildings $'000	Plant and machinery $'000	Motor vehicles $'000	Furniture, fittings and equipment $'000	Total $'000
Company					
2011					
Cost					
Beginning of financial year	7,344	15,313	2,833	3,380	28,870
Additions	89	179	32	116	416
Disposals	–	(113)	(19)	(6)	(138)
Write off	–	–	–	(1)	(1)
End of financial year	7,433	15,379	2,846	3,489	29,147
Accumulated depreciation					
Beginning of financial year	3,049	11,245	2,061	2,558	18,913
Depreciation charge	475	844	331	344	1,994
Disposals	–	(48)	(19)	(6)	(73)
Write off	–	–	–	(1)	(1)
End of financial year	3,524	12,041	2,373	2,895	20,833
Net book value					
End of financial year	3,909	3,338	473	594	8,314

20. Property, plant and equipment (continued)

	Leasehold buildings $'000	Plant and machinery $'000	Motor vehicles $'000	Furniture, fittings and equipment $'000	Total $'000
2010					
Cost					
Beginning of financial year	6,983	14,695	2,852	4,103	28,633
Additions	361	634	151	307	1,453
Disposals	–	(16)	(170)	(1,030)	(1,216)
End of financial year	7,344	15,313	2,833	3,380	28,870
Accumulated depreciation					
Beginning of financial year	2,581	10,420	1,859	3,151	18,011
Depreciation charge	468	837	353	436	2,094
Disposals	–	(12)	(151)	(1,029)	(1,192)
End of financial year	3,049	11,245	2,061	2,558	18,913
Net book value					
End of financial year	4,295	4,068	772	822	9,957

(a) Freehold and leasehold buildings of the Group and of the Company with a net carrying amount of $3,000 (2010: $218,000) and $1 (2010: $1) respectively at 31 March 2011, were mortgaged to banks to secure banking facilities amounting to $31,798,000 (2010: $31,829,000) and $31,798,000 (2010: $31,798,000) for the Group and the Company respectively (see Note 23).

(b) The carrying amount of plant and equipment held under finance leases are $698,000 (2010: $964,000) at the balance sheet date.

(c) The relevant information on the Group's properties is set out as follows:

Description	Location	Land/Floor Area (sq metres)	Tenure
Three single-storey factory building and a two-storey office building	4 Benoi Place, Singapore	7,501	Lease term of 30 years commencing 16 June 1971 extended for another 30 years
A three-storey office building and two adjoining single-storey workshops	19 Tuas Crescent, Singapore	13,344	Lease term of 10 years commencing 1 September 2002
A two-storey office building and two adjoining single-storey workshops	21 Tuas Crescent, Singapore	10,925	Lease term of 30 years commencing 16 June 1981
A four-storey office building and adjoining three-storey factory building	24 Tuas Crescent, Singapore	6,200	Lease term of 22 years commencing 1 June 1997
A two-storey office building and five single-storey workshops	28 Tuas Crescent, Singapore	40,578	Lease term of 25 years commencing 16 February 1983 extended for another 10 years
A single-storey factory building with mezzanine office	30 Tuas Crescent, Singapore	8,959	Lease term of 22 years commencing 1 June 1997

20. Property, plant and equipment (continued)

(c) The relevant information on the Group's properties is set out as follows: (continued)

Description	Location	Land/Floor Area (sq metres)	Tenure
1 unit of office space	Block B, Unit no. B3-2, 2nd Floor Centrepoint Business Park at Shah Alam, Malaysia	120	Freehold
A 2 1/2 storey terrace factory	No. 46, Jalan TPP 1/10, Taman Industri Puchong, Batu 12 47100 Puchong, Selangor Darul Ehsan, Malaysia	451	Freehold
Land at Lot 685	Mukim Sq. Karang District of Kuantan, Malaysia	10,612	Freehold

21. Club memberships

	Group		Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Transferable club memberships, at cost	503	454	402	353
Less: Allowance for impairment in value	(140)	(140)	(104)	(104)
	363	314	298	249

22. Trade and other payables

	Group		Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Trade payables:				
- Non-related parties	37,472	42,567	14,619	31,320
- Subsidiaries	–	–	3,509	4,359
- Associated company	48	87	41	84
	37,520	42,654	18,169	35,763
Construction contracts:				
- Due to customers (Note 14)	32	6,585	–	–
Non-trade payables:				
- Subsidiaries [Note 33(g)]	–	–	1,671	1,549
Sundry payables	85	96	55	41
Accruals for operating expenses	3,236	12,103	2,259	10,319
	40,873	61,438	22,154	47,672

23. Borrowings

	Group		Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Current				
Bank overdrafts (Note 11)	**1,665**	–	**–**	–
Finance lease liabilities (Note 24)	**195**	299	**176**	291
	1,860	299	**176**	291
Non-current				
Finance lease liabilities (Note 24)	**57**	199	**–**	176
	57	199	**–**	176
Total borrowings	**1,917**	498	**176**	467

(a) Security granted

Total borrowings include secured liabilities of $1,917,000 (2010: $498,000) and $176,000 (2010: $467,000) for the Group and the Company, respectively. Bank overdraft and other credit facilities (including long-term loan facilities) to the extent of $31,798,000 (2010: $31,829,000) for the Group and $31,798,000 (2010: $31,798,000) for the Company are secured by the following:

(i) A fixed charge over the leasehold building of a subsidiary with a net book value of $3,000 (2010: $147,000) (see Note 20(a)) and guaranteed by that subsidiary for a banking facility of $11,798,000 (2010: $11,798,000) for the Company;

(ii) A fixed charge over the leasehold buildings of the Company with a net book value of $1 (2010: $1) (see Note 20(a)) for a banking facility of $20,000,000 (2010: $20,000,000) for the Company;

(iii) A fixed charge over certain freehold buildings of a subsidiary with a net book value of $nil (2010: $71,000) (see Note 20(a)) and jointly and severally guaranteed by certain directors and former directors of that subsidiary for a banking facility of RMnil (equivalent of $nil) [2010: RM72,000 (equivalent of $31,000)] for a subsidiary; and

(iv) With respect to banking facilities of RM17,000,000 (equivalent of $7,082,000) [2010: RM8,000,000 (equivalent of $3,432,000)] for a subsidiary, this facility is secured by:

(aa) short-term deposits of the subsidiary amounting to RM1,409,000 (equivalent of $587,000) [2010: RM1,373,000 (equivalent of $589,000)] (see Note 11);

(bb) assignment of progress billings of certain contracts of the subsidiary for an amount of RMnil (equivalent of $nil) [2010: RM3,000,000 (equivalent of $1,287,000)] (see Note 12);

(cc) corporate guarantee granted by the Company for RM5,000,000 (equivalent of $2,083,000) [2010: RM5,000,000 (equivalent of $2,145,000)]; and

(dd) joint and several guarantees by certain directors of the subsidiary for an amount of RMnil (equivalent of $nil) [2010: RM3,000,000 (equivalent of $1,287,000)].

23. Borrowings (continued)

(b) Fair value of non-current borrowings

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Finance lease liabilities	57	199	–	176

The fair values above are determined from the cash flow analyses, discounted at market borrowing rates of an equivalent instrument at the balance sheet date which the directors expect to be available to the Group as follows:

	Group		Company	
	2011	2010	2011	2010
Finance lease liabilities	2.5%	2.5%	2.5%	2.5%

(c) Undrawn borrowing facilities

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Not later than one year	7,886	8,560	5,000	5,500

The facilities expiring not later than one year from the balance sheet date are facilities subject to annual review at various dates during 2011.

24. Finance lease liabilities

The Group leases certain plant and equipment from non-related parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term.

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Minimum lease payments due				
- Not later than one year	201	316	179	306
- Between one and five years	68	206	–	179
	269	522	179	485
Less: Future finance charges	(17)	(24)	(3)	(18)
Present value of finance lease liabilities	252	498	176	467

The present values of finance lease liabilities are analysed as follows:

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Not later than one year (Note 23)	195	299	176	291
Between one and five years (Note 23)	57	199	–	176
Total	252	498	176	467

25. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheets as follows:

	Group		Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Deferred income tax assets:				
- to be recovered after one year	**(105)**	(105)	**–**	–
Deferred income tax liabilities:				
- to be settled after one year	**757**	891	**698**	829
	652	786	**698**	829

Movement in deferred income tax account is as follows:

	Group		Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**786**	786	**829**	829
Tax charge to profit or loss [Note 9(a)]	**(134)**	–	**(131)**	–
End of financial year	**652**	786	**698**	829

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable.

As at 31 March 2011, the Group has unutilised tax losses of approximately $1,460,000 (2010: $1,824,000) and capital allowances of approximately $530,000 (2010: $533,000) available for offsetting against future taxable income subject to the relevant provisions of the Income Tax Act. Deferred tax asset on these unutilised tax losses and capital allowance has not been recognised as the directors are uncertain as to whether future taxable profits will be available against which they can be utilised.

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

Group

Deferred income tax liabilities

	Accelerated tax depreciation	Total
	$'000	$'000
2011		
Beginning of financial year	891	891
Charged to profit or loss	(134)	(134)
End of financial year	757	757
2010		
Beginning of financial year	891	891
Charged to profit or loss	–	–
End of financial year	891	891

25. Deferred income taxes (continued)

Group (continued)

Deferred income tax assets

	Excess of depreciation over capital allowances $'000	Total $'000
2011		
Beginning of financial year	(105)	(105)
Credited to profit or loss	–	–
End of financial year	(105)	(105)
2010		
Beginning of financial year	(105)	(105)
Credited to profit or loss	–	–
End of financial year	(105)	(105)

Company

Deferred income tax liabilities

	Accelerated tax depreciation $'000	Total $'000
2011		
Beginning of financial year	829	829
Charged to profit or loss	(131)	(131)
End of financial year	698	698
2010		
Beginning of financial year	829	829
Charged to profit or loss	–	–
End of financial year	829	829

26. Share capital

	Issued share capital			
	Number of shares		Amount	
	2011	2010	**2011**	2010
	'000	'000	**$'000**	$'000
Beginning and end of financial year	**303,750**	303,750	**36,178**	36,178

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

27. Other reserves (non-distributable)

	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
(a) Composition:				
Fair value reserve	–	–	–	–
Currency translation reserve	(122)	(35)	–	–
	(122)	(35)	–	–
(b) Movements:				
(i) Fair value reserve				
Beginning of financial year	–	37	–	37
Reclassification to profit or loss	–	(37)	–	(37)
End of financial year	–	–	–	–
(ii) Currency translation reserve				
Beginning of financial year	(35)	44	–	–
Net currency translation differences of financial statements of foreign subsidiaries and associated companies	(87)	(79)	–	–
End of financial year	(122)	(35)	–	–

28. Retained profits

(a) Retained profits of the Group and Company are distributable.

(b) Movement in retained profits for the Company is as follows:

	Company 2011 $'000	Company 2010 $'000
Beginning of financial year	34,316	11,502
Net profit	7,418	30,408
Dividends paid (Note 29)	(12,150)	(7,594)
End of financial year	29,584	34,316

29. Dividends

	Group and Company 2011 $'000	Group and Company 2010 $'000
Ordinary dividends paid		
Final exempt dividend paid in respect of the previous financial year of 3.0 cents (2010: 1.5 cents) per share	9,113	4,556
Interim exempt dividend paid in respect of the current financial year of 1 cent (2010: 1 cent) per share	3,037	3,038
	12,150	7,594

At the Annual General Meeting on 28 July 2011, a final tax exempt (one-tier) dividend of 1 cent per share amounting to a total of $3,037,500 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 March 2012.

30. Contingencies

(a) Contingent liabilities of which the probability of settlement is not remote at the balance sheet date are as follows:

(i) The Company has issued corporate guarantees to banks for credit facilities granted to subsidiaries amounting to $7,202,000 (2010: $13,037,000) and associated companies amounting to $7,102,000 (2010: $7,609,000).

(ii) Included in (i), the Company has issued a corporate guarantee of $6,457,000 (2010: $6,713,000) to a bank in Thailand for term loan facilities and issuance of performance bonds by an associated company in Thailand to its customers. The principal risk to which the Company is exposed is credit risk in connection with the guarantee it has issued, which may have a material impact on the Company and the Group. The recent political uncertainty in Thailand could result in an increased credit risk should the operations of the associated company be affected adversely by the recurrence of the recent unrest. As of balance sheet date, there is no provision made in respect of the obligations.

(b) In 2008, the Company's 60%-owned Malaysian subsidiary lodged a claim against one of its main contractors for defaulting payments in respect of mechanical works done. In addition, it also claimed losses and liquidated damages for project delays caused by the said main contractor. The total claims, including liquidated damages amounted to approximately RM20.2 million (equivalent of S$8.4 million) [2010: RM20.2 million (equivalent of S$8.7 million)]. Amount outstanding from the said main contractor as of 31 March 2011 amounted to RM8.1 million (equivalent of S$3.4 million) [2010: RM 8.1 million (equivalent of S$3.5 million)], of which a sum of RM1.4 million (equivalent of S$0.58 million) [2010: RM 1.4 million (equivalent of S$0.61 million)] has been paid to the Malaysian subsidiary under protest and the balance of RM6.7 million (equivalent of S$2.8 million) [2010: RM 6.7 million (equivalent of S$2.9 million)] has been provided. The said main contractor had denied the claims and in its defence, filed counter claims (mainly liquidated damages) of approximately RM91.8 million (equivalent of S$38.2 million) [2010: RM 91.8 million (equivalent of S$39.4 million)].

On 18 March 2010, the said main contractor obtained a Court order pursuant to Section 176 of the Malaysian Companies Act, 1965 to restrain ongoing legal proceedings by its creditors. The restraining order was valid for three months from 18 March 2010. On 2 June 2010, the Court granted the said main contractor further Ad Interim Restraining Order until 9 July 2010. In respect of the legal proceeding initiated by the Malaysian subsidiary, the matter was originally fixed for case management on 24 June 2010. However, due to the Ad Interim Restraining Order obtained, the case management was postponed indefinitely.

On 4 May 2011, the Malaysian subsidiary withdrew all its claims with no order as to costs without liberty to file afresh and the said main contractor also withdrew all its counterclaims. The Malaysian subsidiary has treated the sum of RM1.4 million (equivalent of S$0.58 million) paid earlier by the said main contractor as full and final settlement between both parties. There is no further financial impact for the current financial year.

31. Operating lease commitments

The Group and Company lease various pieces of land from non-related parties under non-cancellable operating lease agreements. These leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Not later than one year	1,033	1,112	1,000	953
Between one and five years	3,329	3,386	3,329	3,353
Later than five years	3,029	3,722	3,029	3,722
	7,391	8,220	7,358	8,028

32. Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise potential adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group and has established detailed policies such as authority levels and oversight responsibilities.

(a) *Market risk*

(i) *Currency risk*

The Group operates mainly in Asia with dominant operations in Singapore and China. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies").

Currency risk arises when transactions are denominated in foreign currencies such as the United States Dollar ("USD"), Thai Baht ("THB") and Malaysia Ringgit ("RM").

In addition, the Group is exposed to currency translation risk on the net assets in foreign operations. Currency exposure to the net assets of the Group's foreign operations in Malaysia and Thailand are managed primarily through borrowings denominated in the relevant foreign currencies.

The Group's currency exposure based on the information provided by key management is as follows:

	SGD	USD	THB	RM	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000
At 31 March 2011						
Financial assets						
Cash and cash equivalents	34,790	8,689	12	596	211	44,298
Trade and other receivables	43,093	12,572	3,197	3,635	6	62,503
	77,883	21,261	3,209	4,231	217	106,801
Financial liabilities						
Borrowings	176	–	–	1,741	–	1,917
Trade and other payables	37,039	1,753	–	1,761	320	40,873
	37,215	1,753	–	3,502	320	42,790
Net financial assets/(liabilities)	40,668	19,508	3,209	729	(103)	64,011
Less: Net financial assets/ (liabilities) denominated in the respective entities functional currencies	(40,668)	–	–	(729)	–	(41,397)
Currency exposure	–	19,508	3,209	–	(103)	22,614
At 31 March 2010						
Financial assets						
Cash and cash equivalents	11,617	4,980	12	917	153	17,679
Trade and other receivables	72,555	19,926	3,060	943	10	96,494
	84,172	24,906	3,072	1,860	163	114,173
Financial liabilities						
Borrowings	467	–	–	31	–	498
Trade and other payables	57,681	1,708	36	1,641	372	61,438
	58,148	1,708	36	1,672	372	61,936
Net financial assets/(liabilities)	26,024	23,198	3,036	188	(209)	52,237
Less: Net financial assets/ (liabilities) denominated in the respective entities functional currencies	(26,024)	–	–	(188)	–	(26,212)
Currency exposure	–	23,198	3,036	–	(209)	26,025

32. Financial risk management (continued)

(a) *Market risk* (continued)

(i) *Currency risk* (continued)

The Company's currency exposure based on the information provided to key management is as follows:

	SGD $'000	USD $'000	THB $'000	Other $'000	Total $'000
At 31 March 2011					
Financial assets					
Cash and cash equivalents	29,185	23	12	13	29,233
Trade and other receivables	36,749	140	3,197	379	40,465
	65,934	163	3,209	392	69,698
Financial liabilities					
Borrowings	176	–	–	–	176
Trade and other payables	22,152	2	–	–	22,154
	22,328	2	–	–	22,330
Net financial assets	43,606	161	3,209	392	47,368
Less: Net financial assets denominated in the functional currency	(43,606)	–	–	–	(43,606)
Currency exposure	–	161	3,209	392	3,762
At 31 March 2010					
Financial assets					
Cash and cash equivalents	9,847	32	12	8	9,899
Trade and other receivables	72,340	156	3,060	364	75,920
	82,187	188	3,072	372	85,819
Financial liabilities					
Borrowings	467	–	–	–	467
Trade and other payables	47,636	–	36	–	47,672
	48,103	–	36	–	48,139
Net financial assets	34,084	188	3,036	372	37,680
Less: Net financial assets denominated in the functional currency	(34,084)	–	–	–	(34,084)
Currency exposure	–	188	3,036	372	3,596

32. Financial risk management (continued)

(a) *Market risk* (continued)

(i) *Currency risk* (continued)

If the USD, THB and RM change against the SGD by 5% (2010: 5%) respectively with all other variables including tax rate being held constant, the effects arising from the net financial asset positions will be as follows:

	2011	2010
	Increase/(Decrease)	
	Profit after tax	Profit after tax
	$'000	$'000
Group		
USD against SGD		
- strengthened	810	963
- weakened	(810)	(963)
THB against SGD		
- strengthened	133	126
- weakened	(133)	(126)
RM against SGD		
- strengthened	30	8
- weakened	(30)	(8)
Company		
USD against SGD		
- strengthened	7	8
- weakened	(7)	(8)
THB against SGD		
- strengthened	133	126
- weakened	(133)	(126)

(ii) *Price risk*

The Group has insignificant exposure to equity price risk as it does not hold significant equity financial assets.

(iii) *Cash flow and fair value interest rate risks*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets, the Group's income is substantially independent of changes in market interest rates.

The Group periodically reviews its liabilities and monitors interest rate fluctuations to ensure that the exposure to interest rate risk is within acceptable levels.

32. Financial risk management (continued)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits and trade receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient collateral where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the Chief Financial Officer based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective management and at the Group level by the Chief Financial Officer.

As the Group and Company does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet date, except as follows:

	Group		Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Corporate guarantees provided to banks for credit facilities granted to:				
- Subsidiaries	**–**	–	**7,202**	13,037
- Associated companies	**7,102**	7,609	**7,102**	7,609
	7,102	7,609	**14,304**	20,646

The trade receivables of the Group and of the Company comprise 4 debtors (2010: 4 debtors) and 2 debtors (2010: 3 debtors) respectively that individually represented 5-10% of trade receivables.

The credit risk for trade receivables based on the information provided to key management is as follows:

(i) Financial assets that are neither past due nor impaired

Bank balances and deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	Group		Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Past due 0 to 3 months	**2,445**	16,568	**1,521**	15,915
Past due 3 to 6 months	**1,471**	4,969	**369**	255
Past due over 6 months	**7,409**	5,798	**–**	–
	11,325	27,335	**1,890**	16,170

32. Financial risk management (continued)

(b) *Credit risk* (continued)

(ii) *Financial assets that are past due and/or impaired* (continued)

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group		Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Gross amount	**228**	3,406	**–**	–
Less: Allowance for impairment	**(228)**	(2,801)	**–**	–
	–	605	**–**	–
Beginning of financial year	**2,801**	3,334	**–**	477
Allowance reversed	**(16)**	(533)	**–**	(477)
Write-off of allowance	**(2,557)**	–	**–**	–
End of financial year	**228**	2,801	**–**	–

The impaired trade receivables arise mainly from revenue to contractors who have cash flow difficulties arising from the current economic conditions.

(c) *Liquidity risk*

The Group and Company manage the liquidity risk by maintaining sufficient cash and marketable securities to enable them to meet their normal operating commitments and having an adequate amount of committed credit facilities (Note 23). At the balance sheet date, assets held by the Group and Company for managing liquidity risk included cash and short-term deposits as disclosed in Note 11.

The table below analyses the maturity profile of the financial liabilities of the Group and Company based on contractual undiscounted cash flow. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Group		Company	
	Less than 1 year	Between 1 and 5 years	Less than 1 year	Between 1 and 5 years
	$'000	$'000	$'000	$'000
At 31 March 2011				
Trade and other payables	**40,873**	**–**	**22,154**	**–**
Borrowings	**1,866**	**68**	**179**	**–**
	42,739	**68**	**22,333**	**–**
At 31 March 2010				
Trade and other payables	61,438	–	47,672	–
Borrowings	316	206	306	179
	61,754	206	47,978	179

32. Financial risk management (continued)

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio. The Group and the Company are also required by certain banks to maintain a gearing ratio of not exceeding 250% (2010: 250%). The Group's and Company's strategies are to maintain gearing ratios within 30% to 50% and 30% to 40% respectively.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	Group		Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Net debt	**1,508**	44,257	**6,903**	38,240
Total equity	**77,129**	81,282	**65,762**	70,494
Total capital	**78,637**	125,539	**72,665**	108,734
Gearing ratio	**2%**	35%	**9%**	35%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 March 2010 and 2011.

(e) Fair value measurements

The carrying values of current trade and other receivables, current trade and other payables and borrowings approximate to their fair values.

33. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following significant transactions took place between the Group and related parties at terms agreed between the parties:

(a) Sales and purchases of goods and services

	Group		Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Purchases				
Purchase of computer equipment from an associated company	**25**	169	**21**	167
Computer maintenance fees paid to an associated company	**199**	223	**193**	220
Professional fees paid to a firm in which a director is a partner	**–**	7	**–**	–
Sales				
Management fees from associated companies	**119**	118	**119**	118
Facilities fees from associated companies	**257**	278	**257**	278
Interest earned from loan to associated companies [Note 33(d)]	**388**	238	**388**	238

Outstanding balances as at 31 March 2011, arising from sales/purchases of goods and services, are set out in Notes 12 and 22, respectively.

33. Related party transactions (continued)

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2011	2010
	$'000	$'000
Salaries and other short-term employee benefits	**3,197**	7,126
Employer's contribution to defined contribution plans, including Central Provident Fund	**47**	46
	3,244	7,172

Included in the above is total compensation to directors of the Company amounting to $1,777,000 (2010: $5,471,000).

The banding of directors' remuneration is as follows:

	Company	
	2011	2010
Number of directors of the Company in remuneration bands:		
$2,250,000 to $2,499,999	**–**	2
$500,000 to $749,999	**2**	–
$250,000 to $499,999	**–**	1
Below $250,000	**4**	3
Total	**6**	6

(c) Loans to subsidiaries

Loans to subsidiaries amounting to $929,000 (2010: $300,000) as set out in Note 12 are unsecured and repayable on demand. Interest is payable at 5% (2010: 5%) per annum.

(d) Loans to associated companies

	Group and Company	
	2011	2010
	$'000	$'000
Current		
Nasco-Hiap Seng Engineering Co Ltd (Note 30(a)(ii))	**3,680**	4,081
PT Technic (M) Sdn. Bhd.	**321**	321
	4,001	4,402

The loan to Nasco-Hiap Seng Engineering Co Ltd is unsecured, repayable on demand and bears interest at 9.5% (2010: 9.5%).

The loan to PT Technic (M) Sdn. Bhd. is unsecured, bears interest at 5% (2010: 5%) and repayable on demand.

(e) Non-trade receivables from subsidiaries

The non-trade receivables from subsidiaries amounting to $525,000 (2010: $138,000) as set out in Note 12, are unsecured, interest-free and repayable on demand.

(f) Non-trade receivables from an associated company

The non-trade receivables from an associated company amounting to $257,000 (2010: $133,000) as set out in Note 12, are unsecured, interest-free and repayable on demand.

33. Related party transactions (continued)

(g) Non-trade payables to subsidiaries

The non-trade payables to subsidiaries amounting to $1,671,000 (2010: $1,549,000) as set out in Note 22, are unsecured, interest-free and repayable on demand.

34. Segment information

The management team has determined the operating segments based on the reports that are used to make strategic decisions. The management team comprises the Chairman and Chief Executive Officer, Executive Director, Finance Director, Chief Financial Officer and the general managers of each business segment.

The management team considers the business mainly from a business segment: Plant construction and maintenance and compression and process equipment fabrication. Other services include investment holding but this is not included within the reportable operating segments as it is not included in the reports provided to the management team.

The segment information provided to the management team for the reportable segments for the year ended 31 March 2011 is as follows:

	Plant construction and maintenance	Compression and process equipment fabrication	Total
	$'000	$'000	$'000
Group			
2011			
Revenue			
- Total segment revenue	129,665	59,181	188,846
- inter-segment revenue	–	423	423
Revenue from external parties	129,665	58,758	188,423
Adjusted EBITDA	10,655	829	11,484
Depreciation	2,545	153	2,698
Share of results of associated companies	(291)	–	(291)
Total assets	88,224	33,762	121,986
Total assets include:			
Investment in associated companies	1,894	–	1,894
Additions to:			
- property, plant and equipment	682	103	785
Total liabilities	(24,506)	(20,351)	(44,857)

34. Segment information (continued)

	Plant construction and maintenance	Compression and process equipment fabrication	Total
	$'000	$'000	$'000
Group			
2010			
Revenue			
- Total segment revenue	219,647	32,467	252,114
- inter-segment revenue	–	–	–
Revenue from external parties	219,647	32,467	252,114
Adjusted EBITDA	39,246	935	40,181
Depreciation	2,655	216	2,871
Share of results of associated companies	762	–	762
Total assets	121,258	28,728	149,986
Total assets include:			
Investment in associated companies	2,199	–	2,199
Additions to:			
- property, plant and equipment	1,524	165	1,689
Total liabilities	(52,845)	(15,859)	(68,704)

Sales between segments are carried out at arm's length. The revenue from external parties reported to the management team is measured in a manner consistent with that in the statement of comprehensive income.

The management team assesses the performance of the operating segments based on a measure of Earnings before interest, tax, depreciation and amortisation ("adjusted EBITDA"). This measurement basis excludes costs that are not expected to recur regularly in every period. Interest income and finance expenses are not allocated to segments, as this type of activity is driven by the Chief Financial Officer, who manages the cash position of the Group.

A reconciliation of adjusted EBITDA to profit before tax is as provided as follows:

	2011	2010
	$'000	$'000
Adjusted EBITDA for reportable segments	11,484	40,181
Depreciation	(2,698)	(2,871)
Finance expense	(49)	(32)
Interest income	525	286
Profit before tax	9,262	37,564

Reportable segments' assets are reconciled to total assets as follows:

The amounts provided to the management team with respect to total assets are measured in a manner consistent with that of the financial statements. For the purposes of monitoring segment performance and allocating resources between segments, the management team monitors the property, plant and equipment, inventories, receivables and operating cash attributable to each segment. All assets are allocated to reportable segments.

	2011	2010
	$'000	$'000
Segment assets for reportable segments	121,986	149,986

34. Segment information (continued)

Reportable segments' liabilities are reconciled to total liabilities as follows:

The amounts provided to the management team with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. All liabilities are allocated to reportable segments.

	2011 $'000	2010 $'000
Segment liabilities for reportable segments	44,857	68,704

Revenue from major products and services

Revenue from external customers are derived mainly from the provision of mechanical engineering services, plant fabrication and installation and plant maintenance for the petroleum and petrochemical industry and fabrication of compression and process equipment. Breakdown of the revenue are disclosed in the segment information above.

Geographical information

The Group's two main business segments operate in three main geographical areas:

- Singapore - the Company is headquartered and has operations in Singapore. The operations in this area are principally the provision of mechanical engineering services, plant fabrication and installation and plant maintenance for the petroleum and petrochemical industry, fabrication of compression and process equipment, and investment holding;
- People's Republic of China - the operations in this area are principally the fabrication of compression and process equipment; and
- Other countries - the operations in these areas are principally the provision of mechanical engineering services, plant fabrication and installation and plant maintenance for the petroleum and petrochemical industry and fabrication of compression and process equipment.

Revenue is based on the country in which the customer is domiciled in. Non-current assets are shown by the geographical area where the assets are located.

	2011 $'000	2010 $'000
Revenue		
Singapore	126,520	222,777
People's Republic of China	50,843	25,303
Malaysia	8,539	2,642
Other countries	2,521	1,392
	188,423	252,114
Non-current assets		
Singapore	11,376	13,690
People's Republic of China	–	–
Malaysia	959	908
Other countries	–	–
	12,335	14,598

Revenues of approximately $36,492,000 (2010: $124,758,000) are derived from a single external customer. These revenues are attributable to the Singapore plant construction and maintenance segment.

35. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 April 2011 or later periods and which the Group has not early adopted:

Amendments to FRS 24 - *Related party disclosures* (effective for annual periods beginning on or after 1 January 2011).

The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party. The revised definition of a related party will mean that some entities will have more related parties and will be required to make additional disclosures i.e. those that are part of the Group - that includes both subsidiaries and associates - and entities with shareholders that are involved with other entities.

Management is currently considering the revised definition to determine whether any additional disclosures will be required and has yet to put systems in place to capture the necessary information. It is therefore not possible to disclose the financial impact, if any, of the amendment on the related party disclosures.

36. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Hiap Seng Engineering Ltd on 4 July 2011.

37. Listing of companies in the Group

Name of companies	Principal activities	Country of business/ incorporation	Equity Holding			
			The Company		Subsidiary	
			2011 %	2010 %	**2011 %**	2010 %
Subsidiaries						
Orion Tuas Shipyard Pte Ltd (a)	Provision of facilities for plant fabrication	Singapore	**100**	100	**–**	–
Asia Process Industries Pte Ltd (a)	Plant maintenance for the petroleum and petrochemical industry	Singapore	**100**	100	**–**	–
HS Compression & Process Pte Ltd (a)	Provision of engineering design services for oil-and gas industry	Singapore	**87**	87	**–**	–
Hiap Seng-Sanko TPM Pte Ltd (a)	Provision of engineering services and plant maintenance	Singapore	**100**	100	**–**	–
Hiap Seng Engineering Shanghai Co. Ltd (c)	Provision of engineering services and plant maintenance	PRC, Shanghai	**100**	100	**–**	–
HS Info-Tech Pte Ltd (a)	Investment holding	Singapore	**100**	100	**–**	–
PT Technic Engineering Sdn. Bhd. (b)	Provision of mechanical engineering services, plant fabrication and installation and plant maintenance for the petroleum and petrochemical industry	Malaysia	**60**	60	**–**	–
HS Engineering (Middle East) Pte Ltd (a)	Provision of engineering services and plant maintenance	Middle East / Singapore	**100**	–	**–**	–

37. Listing of companies in the Group (continued)

Name of companies	Principal activities	Country of business/ incorporation	Equity Holding			
			The Company		Subsidiary	
			2011 %	2010 %	**2011 %**	2010 %
Associated companies						
United Testing Company Pte Ltd (f)		Singapore	**50**	50	**–**	–
Inspection & Testing Specialist Pte Ltd (f)		Singapore	**50**	50	**–**	–
Logthai-Hiap Seng Engineering Ltd (h)		Thailand	**49**	49	**–**	–
PT Technic (M) Sdn. Bhd. (b) (d)		Malaysia	**–**	–	**40**	40
Web-Economy Technology Pte Ltd (g)		Singapore	**–**	–	**30**	30
Nasco-Hiap Seng Engineering Co Ltd (e)		Thailand	**48**	48	**–**	–

(a) Audited by PricewaterhouseCoopers LLP, Singapore.
(b) Audited by Deloitte Touche Tohmatsu, Malaysia.
(c) Audited by Shanghai Asahi Certified Public Accountants.
(d) Issued share capital held by PT Technic Engineering Sdn. Bhd.
(e) Audited by PricewaterhouseCoopers ABAS Ltd, Thailand.
(f) Audited by Lo Hock Ling & Co.
(g) Audited by DP & Associates.
(h) Audited by K Methathuschavalit (CPA, Thailand)

Hiap Seng Engineering Ltd (the "Company") is committed to achieving a high standard of corporate governance within the Group and to putting in place effective self-regulatory corporate practices to protect the interests of its shareholders and enhance long-term shareholder value. The Company has generally complied with the principles and recommendations of the Code of Corporate Governance 2005 (the "Code"). The Board of Directors ("the Board") is pleased to report compliance of the Company with the Code except where otherwise stated.

BOARD OF DIRECTORS

(Code of Corporate Governance Principles 1, 2, 3, 6 and 10)

The Board comprises six directors, three of whom are independent directors. The Board, taking into account the nature of operations of the Company, considers its current size to be adequate for effective decision making.

Of the six directors, two have specialised training. Mr M. Rajaram is a renowned lawyer in the legal sector and Mr Tan Lian Chew has vast number of years of experience in the finance, corporate and tax services. The remaining directors have each 30-40 years of industry experience. Key information regarding the directors' academic and professional qualifications and other appointments is set out on page 68 of the Annual Report.

The directors will receive relevant training, particularly on relevant new laws, regulations and changing commercial risks, from time to time. The directors will also be updated on the business of the Group through regular presentations and meetings.

The Board supervises the management of the business and affairs of the Group. Apart from its statutory responsibilities, the Board approves the Group's strategic plans, key operational initiatives, major investments and funding decisions; identifies principal risks of the Group's businesses and ensures the implementation of appropriate systems to manage these risks; reviews the financial performance of the Group and evaluates the performance and compensation of senior management personnel. To facilitate effective management, certain functions have been delegated to various Board Committees namely, the Audit Committee, Remuneration Committee and Nominating Committee, each of which has its own written terms of reference.

To assist the Board in fulfilling its responsibilities, the Board will be provided with management reports containing complete, adequate and timely information, and papers containing relevant background or explanatory information required to support the decision making process.

All directors have separate and independent access to senior management and to the company secretaries. The company secretaries administer, attend and prepare minutes of Board and Board Committee meetings, and assist the Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively, and the Company's Memorandum and Articles of Association and relevant rules and regulations, including requirements of the Companies Act and the Singapore Exchange Securities Trading Limited ("SGX-ST"), are complied with.

Should directors, whether as a group or individually, need independent professional advice in the furtherance of their duties, the cost of such professional advice will be borne by the Company.

The Board meets on a quarterly basis and additional meetings are held whenever necessary. The Company's Articles of Association allow a Board meeting to be conducted by way of tele-conference and video-conference.

The number of Board and Board Committee meetings held in the financial year, as well as the attendance of every Board member at those meetings are as follows:

Name & Attendance of Directors	Board	Audit Committee ("AC")	Nominating Committee ("NC")	Remuneration Committee ("RC")
No. of Meetings held:	4	4	1	1
Tan Ah Lam (Executive Chairman and Chief Executive Officer)	4	NM	1	NM
Tan Leau Kuee @ Tan Chow Kuee (Executive Director)	3	NM	NM	NM
Tan Lian Chew (Executive Director)	4	NM	NM	NM
Dr. John Chen Seow Phun (Independent Director)	4	4	NM	1
Koh Kim Wah (Independent Director)	4	4	1	1
M. Rajaram (Independent Director)	3	3	0	0

NM: Not a Member of the Committee

Executive Chairman and Chief Executive Officer

The Executive Chairman is also the Chief Executive Officer ("CEO") of the Company. The Board is mindful of the desirability of separating the two functional positions. However, as the independent directors formed half of the composition of the Board, the Company believes that there is a good balance of power and authority within the Board and no individual or small group can dominate the Board's decision-making process. In addition, the independent directors have demonstrated their commitment in their roles and are expected to act in good faith and in the best interest of the Company. In addition, the AC, NC and RC are chaired by independent directors. The Board keeps this situation under regular review and will make suitable recommendations should the circumstances change.

The Executive Chairman and CEO, being the most senior executive in the Company, bears executive responsibility for the Company's business, is instrumental in growing the business of the Company and for the working of the Board. He provides strong leadership and is overall in-charge of the management and strategic operations of the Company. The Executive Chairman and CEO ensures that Board meetings are held when necessary and sets the Board meeting agenda in consultation with the directors.

The Executive Chairman and CEO also ensures the quality and timeliness of the flow of information between the management and the Board.

NOMINATING COMMITTEE

(Code of Corporate Governance Principles 4 and 5)

The Nominating Committee comprises Mr M. Rajaram (as Chairman), Mr Tan Ah Lam and Mr Koh Kim Wah. Mr M. Rajaram and Mr Koh Kim Wah are independent directors.

The Board has approved the written terms of reference of the Nominating Committee. The Nominating Committee performs the following functions:-

a) Reviewing and making recommendations to the Board on all candidates nominated for appointment to the Board;

b) Reviewing all candidates nominated for appointment as senior management staff;

c) Reviewing and recommending to the Board on an annual basis, the Board structure, size and composition, taking into account the balance between executive and non-executive, independent and non-independent directors and having regard at all times to the principles of corporate governance and the Code;

d) Procuring that at least one-third of the Board shall comprise independent directors;

e) Making recommendations to the Board on continuation of service of any director who has reached the age of 70;

f) Identifying and making recommendations to the Board as to the directors who are to retire by rotation and to be put forward for re-election at each Annual General Meeting ("AGM") of the Company, having regard to the directors' contribution and performance, including independent directors;

g) Determining whether a director is independent (taking into account the circumstances set out in the Code and other salient factors); and

h) Proposing a set of objective performance criteria to the Board for approval and implementation, to evaluate the effectiveness of the Board as a whole and the contribution of each director to the effectiveness of the Board.

For the year under review, the Nominating Committee evaluated the Board's performance as a whole. The assessment process adopted both quantitative and qualitative criteria, such as return on equity, the success of the strategic and long-term objectives set by the Board and the effectiveness of the Board in monitoring the management's performance against the goals that had been set by the Board.

The Company's Articles of Association require one-third of its directors, other than the Managing Director, to retire by rotation and subject themselves for re-election by shareholders at every AGM. No director (except the Managing Director) shall stay in office for more than three years without being re-elected by shareholders.

The directors retiring by rotation pursuant to Article 91 of the Company's Articles of Association at the forthcoming AGM are Mr Koh Kim Wah and Mr Tan Ah Lam.

The Nominating Committee recommended to the Board that Mr Koh Kim Wah and Mr Tan Ah Lam be nominated for re-appointment at the forthcoming AGM.

In making the recommendation, the Nominating Committee had considered the directors' overall contribution and performance.

REMUNERATION COMMITTEE

(Code of Corporate Governance Principles 7, 8 and 9)

The Remuneration Committee comprises Mr Koh Kim Wah (as Chairman), Mr M. Rajaram and Dr. John Chen Seow Phun. All of them including the Chairman, are independent.

The Board has approved the written terms of reference of the Remuneration Committee. The functions of the Remuneration Committee are as follows :-

a) Recommending to the Board a framework of remuneration for the Board and the key executives of the Group covering all aspects of remuneration such as directors' fees, salaries, allowances, bonuses, options and benefits-in-kind;

b) Proposing to the Board, appropriate and meaningful measures for assessing the executive directors' performance;

c) Determining the specific remuneration package for each executive director;

d) Considering the eligibility of directors for benefits under long-term incentive schemes; and

e) Considering and recommending to the Board the disclosure of details of the Company's remuneration policy, level and mix of remuneration and procedure for setting remuneration and details of the specific remuneration packages of the directors and key executives of the Company to those required by law or by the Code.

In carrying out the above, the Remuneration Committee may obtain independent external legal and other professional advice as it deems necessary. The expenses of such advice will be borne by the Company.

Remuneration and Benefits of Directors and Top Five Key Executives

The Company sets remuneration packages which are competitive and sufficient to attract, retain and motivate directors and senior management of the required experience and expertise to run the Group successfully. The following table shows a breakdown of the remuneration of directors for FY 2011:

Remuneration Bands	Base Salary[(a)] %	Variable Payment[(b)] %	Other Benefits[(c)] %	Directors' Fees[(d)] %	Total %
Directors					
S$500,000 to S$749,999					
Tan Ah Lam	58	31	11	–	100
Tan Leau Kuee @ Tan Chow Kuee	54	34	12	–	100
Below S$250,000					
Tan Lian Chew	77	23	–	–	100
Dr. John Chen Seow Phun	–	–	–	100	100
Koh Kim Wah	–	–	–	100	100
M. Rajaram	–	–	–	100	100

(a) Base Salary includes fixed allowance, contractual bonus and employer's CPF contribution.

(b) Variable Payment includes performance bonus and non-contractual bonus.

(c) Other Benefits refer to benefit-in-kind such as club and car benefits.

(d) Independent directors are paid directors' fees inclusive of attendance fees, subject to approval at the AGM.

Both Mr Tan Ah Lam and Mr Tan Leau Kuee @ Tan Chow Kuee have service contracts with the Company. Their compensations consist of salary, bonus, and performance awards that are dependent on the performance of the Group. The performance-related awards form a significant portion of their compensation. Mr Tan Lian Chew's compensation consists of salary and bonus. All of them do not receive directors' fees.

The annual remuneration of top five key executives for FY 2011 is as follows:

Remuneration Bands	Base Salary[(a)] %	Variable Payment[(b)] %	Other Benefits[(c)] %	Total %
S$250,000 to S$499,999				
Tan Yew Kun (note 1)	74	14	12	100
Tan Yaw Song (note 2)	80	19	1	100
Ng Guan Lee	97	3	–	100
Below S$250,000				
Lim Chin Boo Paul	92	8	–	100
Tan Hak Jin (note 3)	88	12	–	100

Notes:

1) Tan Yew Kun is also a director of the Company's subsidiary, Asia Process Industries Pte Ltd.

2) Tan Yaw Song is also a director of the Company's associate, Nasco-Hiap Seng Engineering Co. Ltd.

3) Tan Hak Jin is also a director of the Company's subsidiary, Hiap Seng Engineering (Shanghai) Co. Ltd and a director of the Company's associate, Nasco-Hiap Seng Engineering Co. Ltd.

The number of employees who are immediate family members of a director, and whose remuneration exceed S$150,000 during the year is as follows:

No. of Employees	Name of Directors to whom the employees are related
3	Tan Ah Lam and Tan Leau Kuee @ Tan Chow Kuee

Remuneration of employees related to directors or substantial shareholders

Apart from Messrs Tan Ah Lam and Tan Leau Kuee @Tan Chow Kuee, there are 14 (2010: 14) other employees of the Group who are shareholders of or related to the shareholders of Tan Kuay Hoe Holdings Pte Ltd, a substantial shareholder of the Company. The aggregate remuneration of such employees (excluding remuneration for Messrs Tan Ah Lam and Tan Leau Kuee @Tan Chow Kuee) for the financial year ended 31 March 2011 was S$1,931,000 (2010: S$2,304,000).

The remuneration of Executive Directors of the Company and all employees of the Group who are related to any of the directors or substantial shareholders of the Company will be reviewed annually by the Remuneration Committee of the Company, all members of the Remuneration Committee are independent directors of the Company.

AUDIT COMMITTEE ("AC")

(Code of Corporate Governance Principles 11, 12 and 13)

The AC comprises Dr. John Chen Seow Phun as Chairman and Mr Koh Kim Wah and Mr M. Rajaram as members. All of them including the Chairman, are independent.

The Board has approved the written terms of reference of the AC. The AC performs the following functions:-

a) Reviewing with external auditors the audit plan, their evaluation of the system of internal accounting controls and their audit report;

b) Reviewing with the internal auditors, the scope and results of the internal audit procedures and their evaluation of the overall internal control system;

c) Reviewing the Group's financial results and the announcements before submission to the Board for approval;

d) Reviewing the assistance given by management to external and internal auditors;

e) Reviewing significant findings of internal investigations;

f) Considering the appointment/re-appointment of the external auditors;

g) Reviewing interested person transactions; and

h) Other functions as required by law or the Code.

The AC meets periodically and also holds informal meetings and discussions with the management from time to time. The AC has full discretion to invite any director or executive officer to attend its meetings.

The AC has been given full access to and is provided with the co-operation of the Company's management. In addition, the AC has independent access to both internal and external auditors. The AC meets with the external auditors without the presence of management. The AC has reasonable resources to enable it to discharge its functions properly.

The AC having reviewed the independence and objectivity of the external auditors, is satisfied with the independence and objectivity of the external auditors and recommends to the Board of Directors, the nomination of the external auditors for re-appointment. There was no non-audit fee paid to the external auditors, Messrs PricewaterhouseCoopers LLP.

The Group has appointed different auditors for its overseas subsidiaries and associated companies. The Board and the AC are satisfied that the appointments would not compromise the standard and effectiveness of the audit of the Group.

The AC has established a whistle blowing policy to provide persons employed by the Group with a confidential and independent channel to report any suspicions of fraud and non-compliance with regulations and company policies, to the appropriate authority for resolution, without any prejudicial implications to these employees. The AC is vested with the power and authority to receive, investigate and enforce appropriate action when any such suspicions is brought to its attention.

In addition, the AC has established a fraud risk management policy to facilitate the development of controls aimed to prevent, detect and respond to fraud against the Group.

INTERNAL CONTROLS

(Code of Corporate Governance Principle 12)

The Group's internal controls and systems are designed to provide reasonable, but not absolute, assurance as to the integrity and reliability of the financial information and to safeguard and maintain the accountability of the assets.

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Group's management and that was in place throughout the year and up to the date of this report, is adequate to meet the needs of the Group in its current business environment.

INTERNAL AUDIT

(Code of Corporate Governance Principle 13)

Messrs KPMG LLP has been appointed as the Company's internal auditor for the purposes of reviewing the effectiveness of the Company's material internal controls. Messrs KPMG LLP has adopted the Standards for Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The AC reviews the internal audit programme, the scope and results of internal audit procedures and ensures that the internal audit function is adequately resourced and has appropriate standing within the Group.

COMMUNICATION WITH SHAREHOLDERS

(Code of Corporate Governance Principles 10, 14 and 15)

The Company does not practise selective disclosure. Information is disseminated via SGXNET, news releases and the Company's website. The Company ensures that price-sensitive information is publicly released, and is announced on an immediate basis where required under the Listing Manual of the SGX-ST. Where an immediate announcement is not possible, the announcement is made as soon as possible to ensure that shareholders and the public have fair access to the information.

All shareholders of the Company will receive the Annual Report and the notice of the AGM. The notice is also advertised in a local newspaper and made available on SGXNET. The Company encourages shareholders' participation at AGMs and all shareholders are given the opportunity to voice their views and to direct queries regarding the Group to directors, including the chairperson of each of the Board Committees. The Company ensures that there are separate resolutions at general meetings on each distinct issue.

The Company's Articles of Association allow a member of the Company to appoint one or two proxies to attend and vote at general meetings. The external auditors are also present to assist the directors in addressing any relevant queries from the shareholders.

RISK MANAGEMENT

(Listing Manual Rule 1207(4)(b)(iv))

The Company does not have a Risk Management Committee. However, the management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The management reviews all significant control policies and procedures and highlights all significant matters to the directors and the AC.

DEALINGS IN SECURITIES

(Listing Manual Rule 1207(18))

The Company has adopted an internal compliance code with respect to dealings in securities by directors, and officers of the Group. Directors, management and officers of the Group who have access to price-sensitive, financial or confidential information are not permitted to deal in the Company's shares during the periods commencing two weeks before the announcement of the Group's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Group's full-year financial statements or when they are in possession of unpublished price-sensitive information on the Group.

MATERIAL CONTRACTS

(Listing Manual Rule 1207(8))

Save for the service agreements between the executive directors and the Company, there are no material contracts of the Company or its subsidiaries involving the interest of the chief executive officer or any director or controlling shareholders subsisting at the end of the financial year ended 31 March 2011.

INTERESTED PERSON TRANSACTIONS

(Listing Manual Rule 907)

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

There are no interested person transactions entered into during the financial year under review.

INFORMATION ON DIRECTORS

Tan Ah Lam, Frankie

Executive Chairman and CEO

Mr Tan Ah Lam has more than 40 years of experience in the business of providing mechanical engineering services to the petroleum and petrochemical industry. Mr Tan has been with the Group since 1962 and was appointed Managing Director in 1972. On 25 September 2007, Mr Tan relinquished his position as Managing Director and was appointed as Executive Chairman and CEO. Mr Tan is one of the key persons behind the growth and business expansion of the Group. Mr Tan oversees the general management of the Group and is responsible for its overall business development. He is assisted by the Executive Director, Mr Tan Leau Kuee, in the day–to–day management of the Group. He is also the Chairman of Tan Kuay Hoe Holdings Pte Ltd, a substantial shareholder of the Company.

Tan Leau Kuee, Richard

Executive Director (Operations & Strategic Planning)

Mr Tan Leau Kuee has more than 35 years of experience in the business of providing mechanical engineering services to the petroleum and petrochemical industry. Mr Tan has been with the Group since 1971 and was appointed Executive Director in 1990 and is also one of the key persons behind the growth and business expansion of the Group. Mr Tan is responsible for the operations of the Group which include the Projects, Plant Maintenance and Production Departments. He is also in charge of the strategic planning of the Group. He is supported by a highly experienced team of managers and engineers in the day–to–day operations of the Group. He is also a Director of Tan Kuay Hoe Holdings Pte Ltd, a substantial shareholder of the Company.

Tan Lian Chew

Executive Director (Finance)

Mr Tan Lian Chew has over 40 years of experience in accounting, taxation, financial and corporate matters from his working with the then Inland Revenue Department, public accounting firms and the management consultancy company, TNL Corporate Services Pte Ltd which he co–founded. Mr Tan is a full member of the Singapore Institute of Directors (SID) and is also a member of the Singapore Institute of Accredited Tax Professionals (SIATP). He oversees the Group's key corporate and financial matters such as corporate planning, investment evaluations and tax planning. He has been associated with the Company since its incorporation in 1971 and was appointed a Director in 1983.

Dr John Chen Seow Phun

Independent Director

Dr John Chen Seow Phun was appointed as an Independent Director on 18 September 2002. He holds a PhD in Electrical Engineering from the University of Waterloo, Canada. Dr Chen was a Member of Parliament from September 1988 to April 2006. From March 1997 to June 1999, he was the Minister of State for Communications. From June 1999 to November 2001, he was the Minister of State for Communications and Information Technology and Minister of State for National Development. He is presently the Managing Director of JCL Business Development Pte Ltd, a business consultant and investment company, and the Chairman of SAC Capital Pte Ltd. He also sits on the Board of a number of publicly listed companies.

Koh Kim Wah

Independent Director

Mr Koh Kim Wah was appointed as an Independent Director 28 July 2005. Mr Koh, a Colombo Plan Scholar, graduated from University of Canterbury, New Zealand with a 1st class Honours degree in Chemical Engineering in 1967 and later attended the Advance Management Programme at Harvard Business School in 1992. He has more than 35 years of diversified administrative, engineering, marketing and management experience in a multi-national petroleum company, where he retired as country president. Mr Koh is also a director of SmarttPapers International Pte Ltd., a Board Member of the PUB and a member of the Citizenship Committee of Inquiry, Ministry of Home Affairs

M. Rajaram

Independent Director

Mr M. Rajaram was appointed as an Independent Director on 28 July 2005. Mr Rajaram graduated from National University of Singapore with a Bachelor of Laws (LLB) Honours degree and obtained MBA from Maastricht University. He is a Fellow of Singapore Institute of Arbitrators and the Chartered Institute of Arbitrators. Mr Rajaram is an Advocate & Solicitor of Supreme Court of Singapore since 1980. He is currently the Senior Director in Straits Law Practice LLC where his main areas of works include Corporate Finance and Restructuring, Insolvency and Arbitration. He is the Immediate Past Chairman of Singapore Indian Chambers of Commerce & Industry and the Vice Chairman of Singapore Business Federation. He is, an independent Director of Golden Palm Resources Holdings Limited, a listed Company and is a director of several other non listed public and private limited companies in Singapore.

KEY MANAGEMENT

Tan Yew Kun
General Manager

Mr Tan Yew Kun joined the Group in 1972. He was promoted to General Manager on 1 February 2010 and is in charge of the Group's Plant Maintenance Department and the operations and management of Asia Process Industries Pte Ltd, a wholly–owned subsidiary of the Company. He has more than 35 years of experience in plant maintenance and construction for the petroleum and petrochemical industry.

Tan Yaw Song
General Manager

Mr Tan Yaw Song joined the Group in 1988. He was promoted to General Manager on 1 February 2010 and oversees the Group's project operations and management. He has more than 20 years of working experience in plant maintenance and construction for the petroleum and petrochemical industry. He is currently also in charge of the operations of the Company's associate, NASCO–Hiap Seng Engineering Co. Ltd. in Thailand.

Ng Guan Lee
General Manager

Mr Ng Guan Lee joined the Group in 2006. As a General Manager of HS Compression & Process Pte Ltd, a 87%–owned subsidiary of the Company, he is in charge of the Group's gas compression and process business. Mr Ng has more than 25 years of working experience in the oil & gas, industrial and power industries in Canada and Asia. He holds Master in Mechanical Engineering and Master in Business Administration degrees from University of Calgary and University of Leicester (UK) respectively.

Lim Chin Boo Paul
General Manager

Mr Lim Chin Boo Paul joined the Group on 1 February 2010 as a General Manager and is responsible for the Group's business development and project services. Mr Lim graduated from National University of Singapore in 1985 with a Bachelor of Engineering (Mechanical) Degree and has more than 24 years of working experience in the utilities and energy industries in Singapore and Asia.

Tan Hak Jin
Chief Financial Officer

Mr Tan Hak Jin joined the Group in December 2004 as a Group Financial Controller and was promoted to Chief Financial Officer on 1 July 2009. He is responsible for the Group's reporting and accounting functions including corporate planning and investment analysis. Mr Tan graduated from Nanyang University in 1979 with a Bachelor of Commerce Degree in Accountancy and has 30 years of working experience in accounting, financial and corporate matters. He is a non-practising Certified Public Accountant of the Institute of Certified Public Accountants of Singapore.

STATISTIC OF SHAREHOLDINGS

As at 15 June 2011

Issued and fully paid-up capital	:	S$36,450,000
Total number of issued shares excluding treasury shares	:	303,750,000
Total number of treasury shares	:	Nil
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS			NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1	–	999	281	5.07	42,407	0.01
1,000	–	10,000	3,022	54.60	18,099,829	5.96
10,001	–	1,000,000	2,210	39.93	104,264,188	34.33
1,000,001	AND ABOVE		22	0.40	181,343,576	59.70
TOTAL :			5,535	100.00	303,750,000	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1.	TAN KUAY HOE HOLDINGS PTE LTD	70,788,639	23.30
2.	CHENG BUCK POH @ CHNG BOK POH	29,938,375	9.86
3.	DBS NOMINEES PTE LTD	10,662,595	3.51
4.	CITIBANK NOMINEES SINGAPORE PTE LTD	9,333,496	3.07
5.	LEE SEE KEE	7,092,614	2.34
6.	GOO GUIK BING @ GOH GUIK BING	7,086,440	2.33
7.	KIM ENG SECURITIES PTE. LTD.	6,510,700	2.14
8.	UNITED OVERSEAS BANK NOMINEES PTE LTD	5,518,810	1.82
9.	SZE CHAIN FAI @ SZE SOOK SENG	4,102,251	1.35
10.	HSBC (SINGAPORE) NOMINEES PTE LTD	3,894,000	1.28
11.	OCBC SECURITIES PRIVATE LTD	3,509,330	1.16
12.	TAN AH LAM	3,319,500	1.09
13.	UOB KAY HIAN PTE LTD	3,290,090	1.08
14.	TAN LIAN CHEW	3,080,761	1.01
15.	DBS VICKERS SECURITIES (S) PTE LTD	2,492,500	0.82
16.	PHILLIP SECURITIES PTE LTD	2,201,000	0.72
17.	DB NOMINEES (S) PTE LTD	2,136,405	0.70
18.	RAFFLES NOMINEES (PTE) LTD	1,635,000	0.54
19.	OCBC NOMINEES SINGAPORE PTE LTD	1,516,840	0.50
20.	HONG LEONG FINANCE NOMINEES PTE LTD	1,098,500	0.36
	TOTAL :	179,207,846	58.98

SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders) as at 15 June 2011

Name	Direct Interest	No. of Ordinary Shares %	Indirect Interest	%
Tan Kuay Hoe Holdings Pte Ltd	70,788,639	23.30%	–	–
Tan Ah Lam (Note 1)	3,319,500	1.09%	70,788,639	23.30%
Tan Leau Kuee @ Tan Chow Kuee (Note 2)	–	–	70,788,639	23.30%
Cheng Buck Poh @ Chng Bok Poh (Note 3)	29,938,375	9.86%	7,086,440	2.33%
Goo Guik Bing @ Goh Guik Bing (Note 4)	7,086,440	2.33%	29,938,375	9.86%

Notes :

1) Mr Tan Ah Lam is deemed to have an interest in the shares held by Tan Kuay Hoe Holdings Pte Ltd by virtue of Section 7 of the Companies Act, Cap. 50.

2) Mr Tan Leau Kuee @ Tan Chow Kuee is deemed to have an interest in the shares held by Tan Kuay Hoe Holdings Pte Ltd by virtue of Section 7 of the Companies Act, Cap. 50.

3) Mr Cheng Buck Poh @ Chng Bok Poh is deemed to have an interest in the shares held by Mdm Goo Guik Bing @ Goh Guik Bing by virtue of the fact that he is the spouse of Mdm Goo Guik Bing @ Goh Guik Bing.

4) Mdm Goo Guik Bing @ Goh Guik Bing is deemed to have an interest in the shares held by Mr Cheng Buck Poh @ Chng Bok Poh by virtue of the fact that she is the spouse of Mr Cheng Buck Poh @ Chng Bok Poh.

FREE FLOAT

As at 15 June 2011, approximately 74% of the total number of issued shares of the Company was held in the hands of the public (on the basis of information available to the Company).

Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Hiap Seng Engineering Ltd (the "Company") will be held at 28 Tuas Crescent, Singapore 638719 on Thursday, 28 July 2011 at 10.00 a.m. for the following purposes:

Ordinary Business

1. To receive and adopt the Directors' Report and Audited Financial Statements of the Company for the financial year ended 31 March 2011 together with the Auditors' Report thereon. (Resolution 1)

2. To declare a final one-tier tax exempt dividend of 1 cent per ordinary share for the financial year ended 31 March 2011. (Resolution 2)

3. To re-elect Mr Tan Ah Lam as a director retiring pursuant to Article 91 of the Company's Articles of Association.

   Mr Tan Ah Lam will, upon re-election as a director of the Company, remain as the Executive Chairman and Chief Executive Officer. (Resolution 3)

4. To re-elect Mr Koh Kim Wah as a director retiring pursuant to Article 91 of the Company's Articles of Association.

   Mr Koh Kim Wah will, upon re-election as a director of the Company, remain as the Chairman of the Remuneration Committee and members of the Audit and Nominating Committees and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited. (Resolution 4)

5. To approve the payment of Directors' fees of S$211,000 for the financial year ended 31 March 2011 (2010 : S$217,000). (Resolution 5)

6. To re-appoint Messrs PricewaterhouseCoopers LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. (Resolution 6)

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

Special Business

To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution, with or without any modifications:

8. Authority to allot and issue shares up to fifty per cent (50%) of the total number of issued shares excluding treasury shares

   That, pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "Listing Manual"), authority be and is hereby given to the Directors to:

   (a) allot and issue shares in the Company; and

   (b) issue convertible securities and any shares in the Company pursuant to convertible securities

   (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors shall in their absolute discretion deem fit, provided that the aggregate number of shares (including any shares to be issued pursuant to the convertible securities) in the Company to be issued pursuant to such authority shall not exceed fifty per cent (50%) of the total number of issued shares excluding treasury shares of the Company for the time being and that the aggregate number of shares in the Company to be issued other than on a pro-rata basis to the then existing shareholders of the Company shall not exceed twenty per cent (20%) of the total number of issued shares excluding treasury shares of the Company for the time being. Unless revoked or varied by the Company in general meeting, such authority shall continue in full force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting is required by law to be held, whichever is the earlier, except that the Directors shall be authorised to allot and issue new shares pursuant to the convertible securities notwithstanding that such authority has ceased.

   For the purposes of this Resolution and Rule 806(3) of the Listing Manual, the total number of issued shares excluding treasury shares is based on the total number of issued shares excluding treasury shares of the Company at the time this Resolution is passed after adjusting for:

   (i) new shares arising from the conversion or exercise of convertible securities;

   (ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the rules of the Listing Manual; and

(iii) any subsequent consolidation or subdivision of shares. [See Explanatory Note] (Resolution 7)

By Order of the Board

Tan Hak Jin
Low Siew Tian
Joint Company Secretaries

Singapore, 12 July 2011

Explanatory Note:

The Resolution 7 proposed in item 8 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The aggregate number of shares (including any shares issued pursuant to the convertible securities) which the Directors may allot and issue under this Resolution will not exceed fifty per cent (50%) of the total number of issued shares excluding treasury shares (as defined in Resolution 7) of the Company. For issues of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be issued will not exceed twenty per cent (20%) of the total number of issued shares excluding treasury shares (as defined in Resolution 7) of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue shares pursuant to any convertible securities issued under this authority.

Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or two proxies to attend and vote instead of him. A proxy need not be a member of the Company.

2. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

3. The instrument appointing a proxy must be deposited at the registered office of the Company at 4 Benoi Place, Singapore 629925 not less than forty-eight hours (48) before the time for holding the Annual General Meeting.

NOTICE OF BOOK CLOSURE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of Hiap Seng Engineering Ltd (the "Company") will be closed from 11 August 2011 to 12 August 2011 (both dates inclusive) to determine shareholders' entitlement to the final one-tier tax exempt dividend of 1 cent per ordinary share for the financial year ended 31 March 2011.

Duly completed registrable transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623 up to 5:00 p.m. on 10 August 2011 will be registered to determine shareholders' entitlement to the said dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5:00 p.m. on 10 August 2011 will be entitled to the proposed dividend.

Payment of the dividend, if approved by the members at the Annual General Meeting to be held on 28 July 2011, will be made on 26 August 2011.

By Order of the Board

Tan Hak Jin
Low Siew Tian
Joint Company Secretaries

Singapore, 12 July 2011

HIAP SENG ENGINEERING LTD

(Incorporated in the Republic of Singapore)
(Company Registration No. 197100300Z)

ANNUAL GENERAL MEETING - PROXY FORM

IMPORTANT: FOR CPF INVESTOR ONLY

1. This Annual Report 2011 is forwarded to you at the request of your CPF Approved Nominee and is sent SOLELY FOR YOUR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

I/We ______________________________ (Name)

of ______________________________ (Address)

being a member/members of HIAP SENG ENGINEERING LTD (the "Company") hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting of the Company (the "Meeting") to be held at 28 Tuas Crescent, Singapore 638719 on Thursday, 28 July 2011, at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any matter arising at the Meeting.

No.	Ordinary Resolutions Relating to:	For	Against
	Ordinary Business		
1.	Directors' Report and Audited Financial Statements for the financial year ended 31 March 2011 together with the Auditors' Report thereon.		
2.	Payment of proposed final dividend.		
3.	Re-election of Mr Tan Ah Lam as a director.		
4.	Re-election of Mr Koh Kim Wah as a director.		
5.	Approval of Directors' fees amounting to S$211,000.		
6.	Re-appointment of Messrs PricewaterhouseCoopers LLP as Auditors.		
	Special Business		
7.	Authority to issue shares.		

Dated this ________ day of ____________________ 2011

Total No. of Shares	No. of Shares
In CDP Register	
In Register of Members	

____

Signature(s) of Member(s)
or, Common Seal of Corporate Member

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES

1. A member entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead.

2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.

3. A proxy need not be a member of the Company.

4. 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 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, 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, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

5. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 4 Benoi Place, Singapore 629925, not less than 48 hours before the time set for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

GENERAL:

The Company shall be entitled to reject a proxy form 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 proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company. It is the appointor's responsibility to ensure that this proxy form is properly completed in all respects. Any decision to reject this proxy form on the ground that it is incomplete, improperly completed or illegible will be final and binding and neither the Company nor Boardroom Corporate & Advisory Services Pte. Ltd. accepts any responsibility for the consequences of such a decision.

HIAP SENG ENGINEERING LTD

REGISTERED OFFICE
4 Benoi Place, Singapore 629925

CORPORATE OFFICE
28 Tuas Crescent, Singapore 638719

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Website: www.hiapseng.com

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