Hiap Seng Engineering Ltd

STRENGTHENED FOR THE CHALLENGES AHEAD

ANNUAL REPORT 2014

CONTENTS

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.


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.

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

CHAIRMAN'S STATEMENT

"During the financial year, we completed the Partnerships for Capability Transformation (PACT) initiative. Supported by SPRING Singapore, the initiative seeks to identify and implement collaborative projects between large organisations and SMEs. By collaborating with several of our subcontractors, we aim to steer Hiap Seng in tandem with Singapore's drive to improve labour productivity."

Tan Ah Lam, Frankie
Executive Chairman and Chief Executive Officer

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 2014 ("FY2014").

Our Performance

FY2014 has been a challenging financial year as we faced escalating labour costs, as well as pricing pressure from both existing and new competitors. Nevertheless, the Group's revenue increased by 8.9% to S$258.6 million in FY2014, compared to S$237.4 million in the previous corresponding financial year ("FY2013"). The increase was attributable mainly to higher recognition of project revenue. The Group reported a net loss attributable to shareholders of S$3.4 million in FY2014 compared to a net profit attributable to shareholders of S$7.5 million in FY2013. This is primarily due to cost overruns in certain projects, increasing labour costs as well as the absence of a gain on measurement of previously held equity interest, amounting to S$3.8 million, which was recognised in FY2013.

Business Review

In FY2014, we are pleased to have successfully completed major works for the Singapore LNG Terminal, Jurong Aromatics Plant and Shell Eastern Petroleum (Pte) Ltd's projects 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, Linde Gas Singapore and Vietnam's Dung Quat Refinery. In addition, the piping and installation works for the TMP-2 project for a polycrystalline silicon plant in Sarawak was completed by one of our Malaysian subsidiaries, Hiap Seng Engineering (M) Sdn Bhd.

We remain committed to our belief in having best-practice safety measures in place and in pursuing the quality and timely delivery of our products and services. With our robust Safety, Health and Environment (SHE) Management System and stringent safe practices, we were granted the bizSAFE Partner status, which is a recognition of our commitment to promote safety awareness among sub-contractors. Since then, we have achieved the bizSAFE Star, the highest of five certification levels. Adding to our accolades by the Workplace Safety and Health (WSH) Awards, we were also awarded the Safety and Health Award Recognition for Projects (SHARP).

During the financial year, we completed the Partnerships for Capability Transformation (PACT) initiative. Supported by SPRING Singapore, the initiative seeks to identify and implement collaborative projects between large organisations and SMEs. By collaborating with several of our subcontractors, we aim to steer Hiap Seng in tandem with Singapore's drive to improve labour productivity. We invested in automated machinery and in our staff, who underwent extensive training, in order to improve our operational performance as well as to upgrade our productivity and capabilities. In doing so, we plan to achieve more and to move ahead of the competition.

We have weathered ups and downs of our business, and we remain committed to our efforts to continue to deliver efficient and reliable quality products and services to our customers. Meanwhile, we will focus on our core competencies to grow a sustainable long-term business in three business areas, namely: EPC of process equipment, gas compressors, FPSO topsides; tank-farms; construction of oil-and-gas, petrochemical and pharmaceutical plants; and plant maintenance.

Looking ahead

The outlook for the oil-and-gas and petrochemical industries which the Group serves still remain positive. However, keen competition and escalating labour costs will continue to present challenges to our business.

In spite of the challenging operating environment, we have built up an order book of S$226 million, which includes the Group's two contract wins worth S$57 million to provide piping and equipment installation works as well as mechanical, equipment erection and structural works in Singapore as well as the turnaround maintenance contract in Vietnam worth US$10 million. Our ability to continue to secure new project works and maintenance contracts amidst rising labour costs and keen competition serves as a continual testament to the Group's strong fundamentals and established track record.

We will continue to control costs and take steps to improve productivity. Leveraging on our established track record, experience and business network, we will continue to explore new business opportunities in Singapore and beyond to enhance shareholder value.

Dividends

During FY2014, an interim dividend of 0.5 cent per share amounting to S$1.5 million was paid on 28 January 2014. To conserve cash for the business operations, the Board is not recommending a final dividend for FY2014.

A Word Of Thanks

On behalf of the Board, I wish to express my heartfelt thanks and gratitude to our business partners, associates, customers, bankers, government agencies 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. Thank you for your contribution to the Group during this challenging period.

Tan Ah Lam, Frankie
Executive Chairman and Chief Executive Officer

OPERATIONS REVIEW

Financial Review

In FY2014, the Group's revenue increased 8.9% to S$258.6 million from S$237.4 million for the previous financial year ("FY2013"). The increase was attributable mainly to higher recognition of project revenue.

The net results attributable to shareholders declined from a profit of S$7.5 million in FY2013 to a loss of S$3.4 million in FY2014 primarily due to cost overruns in certain projects, escalating labour costs as well as the absence of a gain on measurement of previously held equity interest, amounting to S$3.8 million, which was recognised in FY2013.

Segmental Contributions

The revenue for plant construction & maintenance segment increased from S$205.0 million to S$212.0 million. This was mainly due to the completion of several major projects during FY2014.

The revenue for compression & process equipment fabrication segment increased from S$32.4 million to S$46.6 million, largely a result of the completion of major projects in FY2014. This segment recorded a profit before tax of S$0.1 million for FY2014 compared to a loss of S$3.8 million for FY2013. This was attributable to the higher revenue achieved and better cost control.

Geographically, the Group's revenue in Thailand rose from S$20.9 million to S$34.3 million, mainly due to the completion of major projects in FY2014. The Group's revenue in China increased from S$14.4 million to S$18.1 million, mainly as a result of the completion of more compression & process equipment fabrication works in FY2014.

Financial Position Review

The Group shareholders' funds decreased by S$6.5 million or 8.3%, from S$78.1 million or S$0.26 per share as at 31 March 2013 to S$71.6 million or S$0.24 per share as at 31 March 2014. This was mainly attributable to the payment of dividends amounting to S$3.0 million and the loss of S$3.4 million in FY2014.

The Group's current assets increased to S$172.3 million as at 31 March 2014, from S$123.4 million as at 31 March 2013. The increase of S$28.0 million in trade and other receivables as at 31 March 2014 as compared to 31 March 2013 was mainly due to increased billings. The increase of S$31.5 million in contract work-in-progress as at 31 March 2014 as compared to 31 March 2013 is in line with the project completion schedules.

The increase of S$2.2 million in property, plant and equipment as at 31 March 2014 as compared to 31 March 2013 was mainly a result of the purchases of new automated machinery to improve productivity.

Trade and other payables rose by S$24.7 million as at 31 March 2014 compared to 31 March 2013 which corresponds with the increase in business activities in FY2014.

As at 31 March 2014, borrowings increased by S$33.1 million as compared to 31 March 2013 due to the financing of the Group's working capital requirements.

The Group's cash and cash equivalents stood at S$7.8 million at 31 March 2014, as compared to S$18.7 million as at 31 March 2013. The decrease of S$10.9 million was a result of the increases in working capital as well as property, plant and equipment.

Business Review and Outlook

As at 26 May 2014, the Group's order book amounted to about S$226 million, which includes two contract wins worth S$57 million to provide piping and equipment installation works as well as mechanical, equipment erection and structural works in Singapore and the US$10 million turnaround maintenance contract in Vietnam. A substantial portion of the order book is expected to be recognized as revenue in FY2015. The Group is also performing plant maintenance works for oil-and-gas and petrochemical majors including Shell, ExxonMobil, Singapore Refining Company, Linde Gas Singapore and Vietnam's

Dung Quat Refinery. Together with the incoming projects for the oil-and-gas and petrochemical customers, the Group is cautiously optimistic on the growth of its revenue

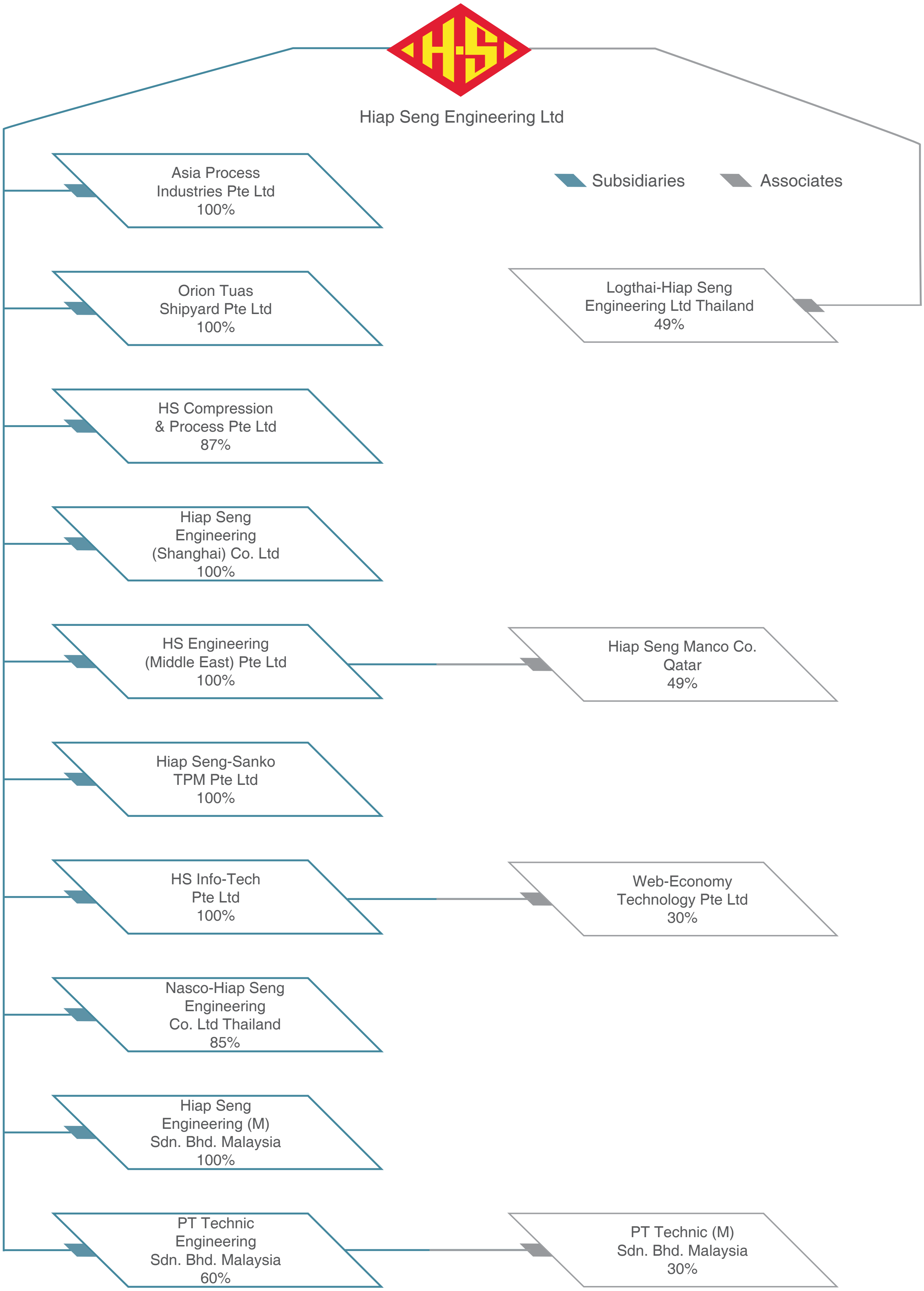
The outlook for the oil-and-gas and petrochemical industries which the Group serves remains positive. However, in light of the keen competition, escalating labour costs and potential cost overruns in certain projects, the Directors of the Group are not optimistic about the Group's performance for the current financial year ending 31 March 2015.

The Group will continue to control costs and take active steps to improve productivity. With an established track record, it will continue to explore new business opportunities in Singapore and beyond to enhance shareholder value.

STRONG IN STRUCTURE

We will continue to control costs and take steps to improve productivity. Leveraging on our established track record, experience and business network, we will continue to explore new business opportunities in Singapore and beyond to enhance shareholder value.

Group Structure



Board of Directors

1 **Koh Kim Wah**
Independent Director

2 **Tan Ah Lam, Frankie**
Executive Chairman and
Chief Executive Officer

3 **M. Rajaram**
Independent Director

4 **Dr John Chen Seow Phun**
Independent Director

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

6 **Tan Lian Chew**
Executive Director (Finance)

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, CA (Singapore)
Low Siew Tian, ACIS

Investor Relations
Citigate Dewe Rogerson i.MAGE Pte Ltd
55 Market Street
#02-01
Singapore 048941
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

Auditor
PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
8 Cross Street #17-00
PWC Building
Singapore 048424
Partner: Tan Khiaw Ngoh
(Year of appointment: FY2012)

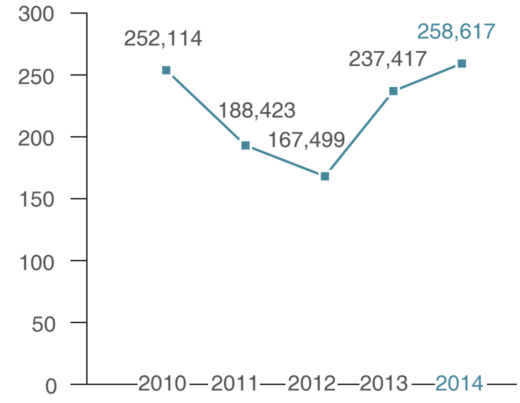
Solicitors
WongPartnership LLP
12 Marina Boulevard Level 28
Marina Bay Financial Centre Tower 3
Singapore 018982

Principal Bankers
United Overseas Bank Limited
DBS Bank Ltd
Standard Chartered Bank
Oversea-Chinese Banking Corporation Limited

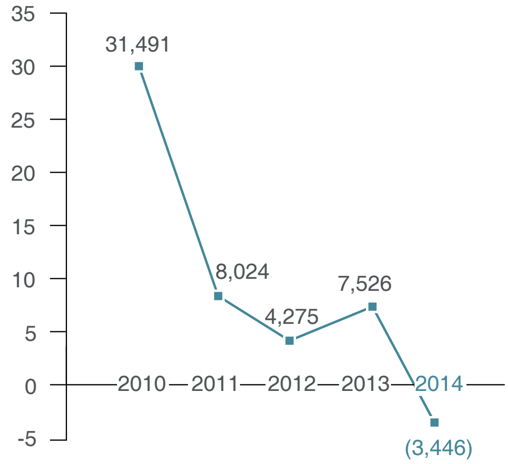
Financial Highlights

S$'000	FY2010	FY2011	FY2012	FY2013	**FY2014**
INCOME STATEMENT					
Revenue	252,114	188,423	167,499	237,417	**258,617**
Gross profit	55,415	25,563	25,068	25,434	**19,140**
Profit/(loss) before tax	37,564	9,262	5,578	6,866	**(3,167)**
Profit/(loss) attributable to shareholders	31,491	8,024	4,275	7,526	**(3,446)**
BALANCE SHEET					
Current assets	135,388	109,651	109,695	123,387	**172,335**
Non-current assets	14,598	12,230	10,265	34,745	**36,923**
Total assets	149,986	121,881	119,960	158,132	**209,258**
Current liabilities	67,614	44,043	43,947	75,588	**133,478**
Non-current liabilities	1,090	709	602	2,852	**2,370**
Total liabilities	68,704	44,752	44,549	78,440	**135,848**
Net assets	81,282	77,129	75,411	79,692	**73,410**
SHAREHOLDERS' EQUITY					
Share capital	36,178	36,178	36,178	36,178	**36,178**
Reserves	(35)	(122)	(31)	(70)	**(75)**
Retained profits	43,401	39,275	37,475	41,963	**35,482**
Shareholders' equity	79,544	75,331	73,622	78,071	**71,585**
Non-controlling interests	1,738	1,798	1,789	1,621	**1,825**
Total equity	81,282	77,129	75,411	79,692	**73,410**
FINANCIAL RATIOS					
Gross profit margin	22.0%	13.6%	15.0%	10.7%	**7.4%**
Net profit/ (loss) margin	12.5%	4.3%	2.5%	3.2%	**(1.3%)**
Return/ (loss) on equity	39.6%	10.7%	5.8%	9.6%	**(4.8%)**
Return/ (loss) on assets	21.0%	6.6%	3.6%	4.8%	**(1.6%)**
PER SHARE DATA					
Earnings (cents)	10.4	2.6	1.4	2.5	**(1.1)**
Net asset value (cents)	26.2	24.8	24.2	25.7	**24.1**
Dividends (cents)	4.0	2.0	1.5	1.0	**0.5**

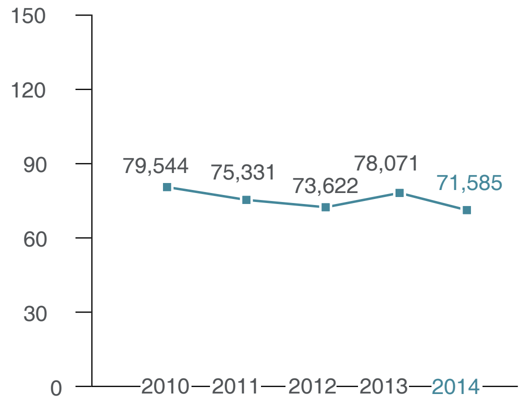
Revenue



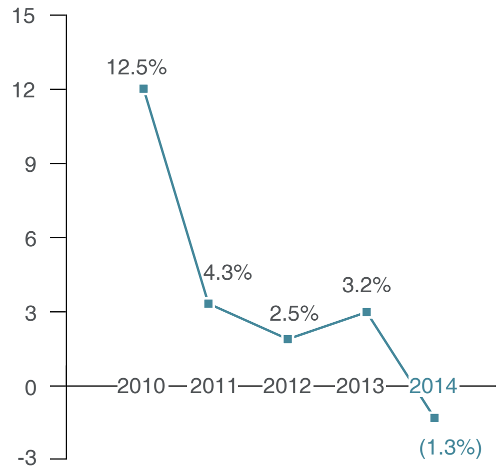
Profit/ (Loss) Attributable to Shareholders



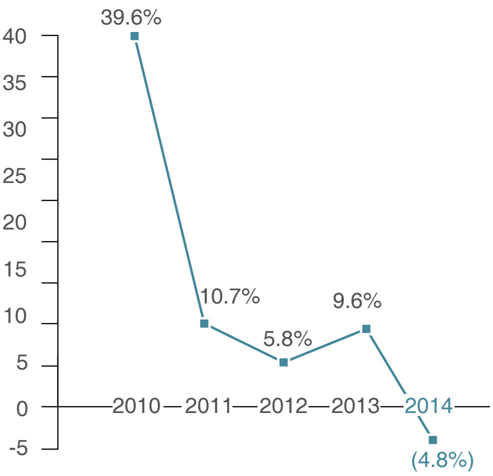
Shareholders' Equity



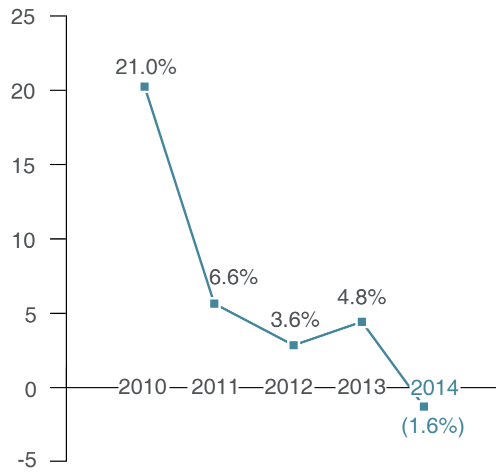
Net Profit/ (Loss) Margin



Return/ (Loss) on Equity



Return/ (Loss) on Assets



BUILDING A SUSTAINABLE FUTURE

Steadfast and resilient, we continue to harness our core competencies as a leading integrated service provider of mechanical engineering, plant fabrication and installation and plant maintenance services. With determination, we strengthen our market presence and enhance our suite of services to build a Sustainable Future.

FINANCIAL CONTENTS

DIRECTORS' REPORT

For the financial year ended 31 March 2014

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 March 2014 and the balance sheet of the Company at 31 March 2014.

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 31.3.2014	At 1.4.2013	**At 31.3.2014**	At 1.4.2013
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	**–**	–

Directors' interests in shares or debentures (continued)

(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 31.3.2014	At 1.4.2013
HS Compression & Process Pte Ltd	**4,743,750**	4,743,750
PT Technic Engineering Sdn. Bhd.	**5,000,000**	5,000,000
Nasco-Hiap Seng Engineering Co Ltd	**1,750,000**	1,750,000

(c) The directors' interests in the ordinary shares of the Company as at 21 April 2014 were the same as those as at 31 March 2014.

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

Audit Committee (continued)

All members of the Audit Committee were independent non-executive 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 reviewed:

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

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

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

(d) the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 March 2014 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

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

7 July 2014

STATEMENT BY DIRECTORS

For the financial year ended 31 March 2014

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 19 to 77 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 2014 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

7 July 2014

INDEPENDENT AUDITOR'S REPORT

To the members of Hiap Seng Engineering Ltd

Report on the Financial Statements

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 77, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 March 2014, the consolidated statement of comprehensive income, statement of changes in equity and 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; and 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 control 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 control. 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 2014, and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

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 Chartered Accountants

Singapore, 7 July 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 March 2014

	Note	Group 2014 $'000	Group 2013 $'000
Revenue	4	**258,617**	237,417
Cost of services rendered	5	**(239,477)**	(211,983)
Gross profit		**19,140**	25,434
Other income	7	**84**	98
Other gains - net	7	**436**	3,815
Expenses			
- Administrative	5	**(23,008)**	(21,768)
- Finance	8	**(499)**	(299)
		(3,847)	7,280
Share of profit/(loss) of associated companies	16	**680**	(414)
(Loss)/profit before income tax		**(3,167)**	6,866
Income tax (expense)/credit	9	**(45)**	265
Net (loss)/profit		**(3,212)**	7,131
Other comprehensive loss that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation		**(35)**	(69)
Other comprehensive loss, net of tax		**(35)**	(69)
Total comprehensive (loss)/profit		**(3,247)**	7,062
(Loss)/profit attributable to:			
Equity holders of the Company		**(3,446)**	7,526
Non-controlling interests		**234**	(395)
		(3,212)	7,131
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(3,451)**	7,487
Non-controlling interests		**204**	(425)
		(3,247)	7,062
(Loss)/earnings per share for attributable to equity holders of the Company (expressed in cents per share)			
Basic and diluted	10	**(1.13)**	2.48

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

BALANCE SHEETS

As at 31 March 2014

	Note	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
ASSETS					
Current assets					
Cash and cash equivalents	11	**7,812**	18,743	**3,156**	7,774
Income tax recoverable	9	**1,061**	681	**781**	681
Trade and other receivables	12	**108,921**	80,870	**110,829**	73,520
Construction contract work-in-progress	13	**52,319**	20,869	**15,047**	9,074
Other current assets	14	**2,222**	2,224	**1,767**	1,024
		172,335	123,387	**131,580**	92,073
Non-current assets					
Other receivables	15	**–**	616	**–**	–
Investments in associated companies	16	**1,078**	419	**109**	109
Investments in subsidiaries	17	**–**	–	**14,858**	14,856
Investment property	18	**–**	–	**–**	–
Property, plant and equipment	19	**26,049**	23,861	**8,913**	6,778
Intangible assets	20	**6,657**	7,004	**–**	–
Available-for-sale financial assets	21	**2,482**	2,482	**2,482**	2,482
Deferred income tax assets	26	**294**	–	**–**	–
Club memberships	22	**363**	363	**298**	298
		36,923	34,745	**26,660**	24,523
Total assets		**209,258**	158,132	**158,240**	116,596
LIABILITIES					
Current liabilities					
Trade and other payables	23	**96,924**	72,263	**62,670**	45,287
Current income tax liabilities	9	**1**	347	**–**	–
Borrowings	24	**36,553**	2,978	**28,487**	–
		133,478	75,588	**91,157**	45,287
Non-current liabilities					
Borrowings	24	**834**	1,293	**342**	–
Deferred income tax liabilities	26	**1,536**	1,559	**458**	458
		2,370	2,852	**800**	458
Total liabilities		**135,848**	78,440	**91,957**	45,745
NET ASSETS		**73,410**	79,692	**66,283**	70,851
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	27	**36,178**	36,178	**36,178**	36,178
Other reserves	28	**(75)**	(70)	**–**	–
Retained profits	29	**35,482**	41,963	**30,105**	34,673
		71,585	78,071	**66,283**	70,851
Non-controlling interests		**1,825**	1,621	**–**	–
Total equity		**73,410**	79,692	**66,283**	70,851

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 March 2014

	Note	Share capital	Other reserves	Retained profits	Total	Non-controlling interests	Total equity
		Attributable to equity holders of the Company					
		$'000	$'000	$'000	$'000	$'000	$'000
2014							
Beginning of financial year		**36,178**	**(70)**	**41,963**	**78,071**	**1,621**	**79,692**
Total comprehensive (loss)/income for the year		–	(5)	(3,446)	(3,451)	204	(3,247)
Dividends paid	30	–	–	(3,035)	(3,035)	–	(3,035)
End of financial year		**36,178**	**(75)**	**35,482**	**71,585**	**1,825**	**73,410**
2013							
Beginning of financial year		36,178	(31)	37,475	73,622	1,789	75,411
Total comprehensive (loss)/income for the year		–	(39)	7,526	7,487	(425)	7,062
Acquisition of a subsidiary		–	–	–	–	257	257
Dividends paid	30	–	–	(3,038)	(3,038)	–	(3,038)
End of financial year		**36,178**	**(70)**	**41,963**	**78,071**	**1,621**	**79,692**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2014

	Note	2014 $'000	2013 $'000
Cash flows from operating activities			
Net (loss)/profit		**(3,212)**	7,131
Adjustments for:			
- Income tax expense/(credit)		**45**	(265)
- (Write-back)/allowance made for impairment of trade and other receivables		**(170)**	117
- Depreciation		**4,324**	3,306
- Net gain on disposal and write-off of property, plant and equipment		**(200)**	(278)
- Unrealised currency translation loss/(gain)		**290**	(595)
- Interest expense		**499**	299
- Interest income		**(84)**	(98)
- Amortisation of intangible assets		**347**	295
- Loss on disposal of associates		**–**	187
- Gain on measurement of previously held equity interest		**–**	(3,776)
- Share of (profit)/loss from associated companies		**(680)**	414
		1,159	6,737
Change in working capital			
- Construction contract work-in-progress		**(31,866)**	(14,062)
- Trade and other receivables		**(28,808)**	(10,536)
- Other current assets		**2**	(1,220)
- Trade and other payables		**26,185**	22,098
Cash (used in)/generated from operations		**(33,328)**	3,017
Income tax paid – net		**(1,090)**	(1,384)
Net cash (used in)/provided by operating activities		**(34,418)**	1,633
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**369**	840
Purchases of property, plant and equipment		**(7,710)**	(7,834)
Capital contribution to associated companies		**–**	(475)
Proceeds from disposal of associated companies		**–**	450
Purchases of available-for-sale financial assets		**–**	(2,482)
Acquisition of subsidiary, net of cash acquired		**–**	(369)
Repayment of other receivables		**1,028**	–
Interest received		**84**	98
Net cash used in investing activities		**(6,229)**	(9,772)
Cash flows from financing activities			
Dividends paid to equity holders of the Company		**(3,035)**	(3,038)
Increase in bank deposit pledged		**(694)**	(575)
Proceeds of lease liabilities		**486**	28
Interest paid		**(499)**	(299)
Proceeds from trust receipt creditors		**7,108**	31
Proceeds from bank borrowing		**26,317**	(508)
Net cash provided by/(used in) financing activities		**29,683**	(4,361)
Net decrease in cash and cash equivalents		**(10,964)**	(12,500)
Cash and cash equivalents at beginning of financial year		**15,413**	27,910
Effects of currency translation on cash and cash equivalents		**44**	3
Cash and cash equivalents at end of financial year	11	**4,493**	15,413

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 38 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") 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 2013

On 1 April 2013, 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 adoption of these new or amended FRS and INT FRS did not result in substantial changes to accounting policies of the Group and Company and had no material effect on the amounts reported for the current or prior financial years.

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 collectability 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) *Management fee income*

Management fee income is recognised when management support services are rendered.

(d) *Facilities fee income*

Facilities fee income is recognised based on a percentage of corporate guarantees provided.

(e) *Interest income*

Interest income is recognised using the effective interest method.

(f) *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.

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(a) Subsidiaries (continued)

(i) Consolidation (continued)

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) Acquisitions

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.

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.

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 identifiable net 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 previously-held equity interest in the acquiree over the fair values of the identifiable assets acquired net of the fair values of the liabilities and any contingent liabilities assumed, is recorded as goodwill. Please refer to the paragraph "Intangible assets - Goodwill on Acquisition" for the accounting policy on goodwill subsequent to initial recognition.

(iii) Disposals

When a change in the Group'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 previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits 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 interest at the date when control is lost and its fair value is recognised in profit or loss.

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(a) *Subsidiaries* (continued)

(iii) *Disposals* (continued)

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 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.

(i) *Acquisitions*

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.

(ii) *Equity method of accounting*

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 and contributions received from the associated companies are adjusted against the carrying amount of the investments. When the Group's share of losses in an associated company equals to 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 impairment of the assets 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)

(iii) Disposals

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

Gains and losses arising from partial disposals or dilutions in investments in associated companies in which significant influence is retained are 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.

2. Significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(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 - 5 years
Plant and machinery	1 - 15 years
Furniture, fittings and equipment	3 - 10 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 gains/losses - net'.

2.5 Intangible assets

(a) Goodwill on acquisitions

Goodwill on acquisitions of subsidiaries and businesses on or after 1 January 2010 represents the excess of (i) the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously-held equity interest in the acquiree over (ii) the fair value of the identifiable assets acquired net of the fair value of the liabilities and any contingent liabilities assumed.

Goodwill on acquisition of subsidiaries and businesses prior to 1 January 2010 and on acquisition of associated companies represents the excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired.

Goodwill on subsidiaries is recognised as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on associated companies is included in the carrying amount of the investments.

2. **Significant accounting policies** (continued)

2.5 Intangible assets (continued)

(a) Goodwill on acquisitions (continued)

Gains and losses on the disposal of subsidiaries and associated companies include the carrying amount of goodwill relating to the entity sold, except for goodwill arising from acquisitions prior to 1 January 2001. Such goodwill was adjusted against retained profits in the year of acquisition and is not recognised in profit or loss on disposal.

(b) Other intangible assets

Other intangible assets include customer contracts and customer relationships. Costs incurred which are expected to generate future economic benefits are recognised as intangibles and amortised on a straight line basis over their expected useful lives, ranging from 2 to 20 years.

2.6 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 proportion 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 cumulative costs incurred plus recognised profits (less recognised losses) 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 by customers are included within "trade and other receivables". Advances received are included within "trade and other payables".

2. Significant accounting policies (continued)

2.7 Investment property

Investment property comprises significant portions of leasehold office building that are held for long-term rental 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 the 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.

2.8 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 such investments, the difference between disposal proceeds and the carrying amounts of the investments is recognised in profit or loss.

2.9 Impairment of non-financial assets

(a) *Goodwill*

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

2. Significant accounting policies (continued)

2.9 Impairment of non-financial assets (continued)

(b) *Club memberships*
Property, plant and equipment
Investments in subsidiaries and associated companies
Investment properties
Intangible assets

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

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.

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 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 this 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.

2.10 Financial assets

(a) *Classification*

(i) *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 expected to be realised 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 have been accounted for in accordance with Note 2.8.

2. Significant accounting policies (continued)

2.10 Financial assets (continued)

(a) *Classification* (continued)

(ii) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the balance sheet date.

(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 previously recognised in other comprehensive income relating to that asset is reclassified 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.

(i) *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 an 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 impairment allowance 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. Significant accounting policies (continued)

2.10 Financial assets (continued)

(d) *Impairment* (continued)

(ii) *Available-for-sale financial assets*

A significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If any evidence of impairment exists, the cumulative loss that was previously recognised in other comprehensive income is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

(e) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.11 Financial guarantees

The Group and the Company have issued corporate guarantees to banks for borrowings of the company and its subsidiaries. These guarantees are financial guarantees as they require the Group and the Company to reimburse the banks if the company and the subsidiaries 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 company's and the subsidiaries' borrowings, unless it is probable that the Group and the Company will reimburse the banks 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.

2.12 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, in which case they are presented as non-current liabilities.

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. Significant accounting policies (continued)

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 based on market conditions that are 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 analysis, are also used to determine the fair values of the financial instruments.

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

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 – when the Group is a lessee

Leases where the Group assumes substantially all 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 - when the Group is a lessee

Leases of factories and offices where substantially all risks and rewards incidental to ownership are retained by the lessors 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 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 goodwill or 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.

2. Significant accounting policies (continued)

2.15 Income taxes (continued)

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.

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.

2.16 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.

2.17 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. Significant accounting policies (continued)

2.18 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 ("SGD"), which is the functional currency of the Company.

(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 at the date of transactions. Currency translation differences resulting 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.

However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserves.

All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "other profit /(losses) - net".

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 position 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 other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustment arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2. Significant accounting policies (continued)

2.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the management team whose member are responsible for allocating resources and assessing performance of the operating segments.

2.20 Cash and cash equivalents

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

2.21 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.

2.22 Dividends to Company's shareholders

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

2.23 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 net of 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.

(a) Estimated impairment of non-financial assets

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. Intangible assets, property, plant and equipment and investments in subsidiaries and associated companies are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

The recoverable amounts of these assets and where applicable, cash-generating units, have been determined based on value-in-use calculations. These calculations require the use of estimates such as expected cash flows resulting from operating margin and expenses, discounting rate and growth rate. Refer to details disclosed in Note 20(a).

3. Critical accounting estimates, assumptions and judgements (continued)

(b) 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 used to estimate the total contract costs and the recoverable variation works that 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 revenue on uncompleted contracts at the balance sheet date had been higher/lower by 10% from management's estimates, the Group's revenue and profit would have been higher/lower by $15,669,000 (2013: $15,234,000) and $2,296,000 (2013: $613,000) respectively.

If the estimated contract costs of uncompleted contracts to be incurred had been higher/lower by 10% from management's estimates, the Group's profit would have been lower/higher by $12,842,000 (2013: $14,514,000) respectively.

(c) Impairment of trade receivables

Management reviews its trade receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management has made judgements as to whether there is observable data indicating that there has been a significant changes in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management has made judgements as to whether an impairment loss should be recorded as an expense. In determining this, management has used estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

If the payment ability of the debtor were to deteriorate, the allowance for impairment may increase. The carrying amount of the trade receivables at the end of the financial year is disclosed in Note 12.

4. Revenue

	Group	
	2014	2013
	$'000	$'000
Service revenue	**258,617**	237,417
Total revenue	**258,617**	237,417

5. Expenses by nature

	Group	
	2014	2013
	$'000	$'000
Sub-contractor charges	**83,966**	108,623
Structural materials and other related costs	**43,164**	34,691
Employee compensation (Note 6)	**109,334**	62,018
Rental on operating leases	**1,624**	1,454
Transportation & logistic expenses	**14,219**	15,885
Professional fees	**516**	340
Directors' fees	**214**	216
Utilities expenses	**902**	1,245
Amortisation of intangible assets	**347**	295
Depreciation of property, plant and equipment (Note 19)	**4,324**	3,306
Entertainment and travelling expenses	**700**	750
Computer and automation expenses	**813**	644
(Write-back)/allowance made for impairment of trade and other receivables	**(170)**	117
Maintenance expenses	**670**	1,422
Fees on audit services paid to:		
- Auditor of the Company		
- Current year	**200**	195
- Underprovision in prior year	**58**	–
- Other auditors	**52**	39
Non-audit fees paid to:		
- Other auditors	**70**	70
Other expenses	**1,482**	2,441
Total cost of services rendered and administrative expenses	**262,485**	233,751

6. Employee compensation

	Group	
	2014	2013
	$'000	$'000
Wages and salaries	**106,671**	59,783
Government grant	**(171)**	(128)
Employer's contribution to defined contribution plans including Central Provident Fund	**2,834**	2,363
	109,334	62,018

7. Other income and other gains - net

	Group	
	2014	2013
	$'000	$'000
Interest income	**84**	98
Other gains - net		
- Currency exchange gain/(loss) - net	**187**	(308)
- Net gain on disposal and write-off of property, plant and equipment	**200**	278
- Sundry gain	**49**	256
- Gain on measurement of previously held equity interest	**–**	3,776
- Loss from disposal of associated companies	**–**	(187)
	436	3,815

8. Finance expenses

	Group	
	2014	2013
	$'000	$'000
Interest expense		
- Bank borrowings	**387**	123
- Finance lease liabilities	**16**	37
- Bank overdrafts	**96**	139
	499	299

9. Income taxes

(a) Income tax expense/(credit)

	Group	
	2014	2013
	$'000	$'000
Tax expense/(credit) attributable to profit is made up of:		
Current income tax		
- Singapore	**22**	218
- Foreign	**383**	342
	405	560
Deferred income tax (Note 26)	**(148)**	(111)
	257	449
Overprovision in prior financial years:		
Current income tax	**(41)**	(714)
Deferred income tax (Note 26)	**(171)**	–
	45	(265)

9. Income taxes (continued)

(a) Income tax expense/(credit) (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 follows:

	Group	
	2014	2013
	$'000	$'000
(Loss)/profit before tax	**(3,167)**	6,866
Share of (profit)/loss of associated companies, net of tax	**(680)**	414
(Loss)/profit before tax and share of (profit)/loss of associated companies	**(3,847)**	7,280
Tax calculated at tax rate of 17% (2013: 17%)	**(654)**	1,238
Effects of:		
- different tax rates in other countries	**40**	70
- income not subject to tax	**(150)**	(600)
- expenses not deductible for tax purposes	**435**	269
- utilisation of previously unrecognised tax losses	**(237)**	(228)
- tax losses not recognised during the financial year	**1,046**	–
- tax incentives	**(223)**	(260)
- other	**–**	(40)
Tax charge	**257**	449

(b) As at 31 March 2014, a Malaysian subsidiary has brought forward tax exempt income amounting to approximately MYR 2,461,000 (equivalent of $950,192) [2013: MYR 2,461,000 (equivalent of $987,107)]. This amount arose mainly 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 2014 is available for distribution by way of cash dividends without incurring additional tax liability.

9. Income taxes (continued)

(c) Movement in current income tax (recoverable)/liabilities

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**(334)**	1,204	**(681)**	754
Income tax paid - net	**(1,090)**	(1,384)	**(252)**	(794)
Tax expense on profit for the current financial year	**405**	560	**43**	70
(Over)/underprovision in prior financial years	**(41)**	(714)	**109**	(711)
End of financial year	**(1,060)**	(334)	**(781)**	(681)
Disclosed as follows:				
Current assets				
Income tax recoverable	**(1,061)**	(681)	**(781)**	(681)
Current liabilities				
Current income tax liabilities	**1**	347	**–**	–

10. (Loss)/earnings per share

(a) Basic (loss)/earnings per share

Basic (loss)/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	
	2014	2013
Net (loss)/profit attributable to equity holders of the Company ($'000)	**(3,446)**	7,526
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**303,750**	303,750
Basic (loss)/earnings per share (cents per share)	**(1.13)**	2.48

10. (Loss)/earnings per share (continued)

(b) Diluted (loss)/earnings per share

The diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share for the financial years ended 31 March 2014 and 31 March 2013 as the Group did not have any potential ordinary shares outstanding as at 31 March 2014 and 31 March 2013.

11. Cash and cash equivalents

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**5,909**	17,471	**3,156**	7,774
Short-term bank deposits	**1,903**	1,272	**–**	–
	7,812	18,743	**3,156**	7,774

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

	Group	
	2014	2013
	$'000	$'000
Cash and bank balances (as above)	**7,812**	18,743
Less: Bank deposits pledged	**(1,903)**	(1,209)
Less: Bank overdrafts (Note 24)	**(1,416)**	(2,121)
Cash and cash equivalents per consolidated statement of cash flows	**4,493**	15,413

The Group has restricted bank deposits amounting to $813,000 (2013: $1,209,000) which are secured for bank overdrafts and trust receipts (Note 24). The Group has restricted bank deposits amounting to US$859,000 (equivalent of $1,090,000) (2013: NIL) which are secured for bank guarantee.

12. Trade and other receivables

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Trade receivables:				
- Non-related parties	**72,827**	48,733	**42,423**	21,997
- Subsidiaries	**–**	–	**8,025**	6,982
- Associated companies	**–**	202	**–**	202
	72,827	48,935	**50,448**	29,181
Less: Allowance for impairment of receivables				
- non-related parties	**(684)**	(361)	**(74)**	–
Trade receivables - net	**72,143**	48,574	**50,374**	29,181
Construction contracts:				
- Due from customers (Note 13)	**31,682**	28,950	**19,083**	28,243
- Retentions (Note 13)	**1,611**	2,722	**1,624**	1,624
	33,293	31,672	**20,707**	29,867
Other receivables	**3,460**	238	**–**	49
Loans to:				
- Subsidiaries [Note 34(c)]	**–**	–	**36,866**	8,289
- An associated company [Note 34(d)]	**–**	321	**–**	321
Staff advances	**25**	39	**24**	16
Non-trade receivables:				
- Subsidiaries [Note 34(e)]	**–**	–	**2,858**	5,771
- An associated company [Note 34(f)]	**–**	26	**–**	26
	108,921	80,870	**110,829**	73,520

13. Construction contracts

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Construction contract work-in-progress:				
Beginning of financial year	**20,869**	5,846	**9,074**	4,997
Acquisition of subsidiary	**–**	961	**–**	–
Contract costs incurred	**130,279**	130,885	**39,039**	73,206
Contract expenses recognised in profit or loss	**(98,829)**	(116,823)	**(33,066)**	(69,129)
End of financial year	**52,319**	20,869	**15,047**	9,074
Aggregate costs incurred and profits recognised (less losses recognised) to date on uncompleted construction contracts	**200,985**	150,366	**143,859**	102,513
Less: Progress billings	**(170,533)**	(124,600)	**(124,783)**	(74,686)
	30,452	25,766	**19,076**	27,827
Presented as:				
Due from customers on construction contracts (Note 12)	**31,682**	28,950	**19,083**	28,243
Due to customers on construction contracts (Note 23)	**(1,230)**	(3,184)	**(7)**	(416)
	30,452	25,766	**19,076**	27,827
Advances received on construction contracts (Note 23)	**(38)**	–	**–**	–
Retentions on construction contracts (Note 12)	**1,611**	2,722	**1,624**	1,624

14. Other current assets

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Deposits	**1,014**	924	**893**	648
Prepayments	**1,208**	1,300	**874**	376
	2,222	2,224	**1,767**	1,024

15. Other receivables - non-current

	Group	
	2014	2013
	$'000	$'000
Other receivables	**–**	1,156
Less: Allowance for impairment	**–**	(540)
	–	616

As at 31 March 2013, other receivables comprised advances to directors and shareholders of an associated company, of which, an impairment charge of $540,000 was recognised by the Group. They were denominated in Malaysian Ringgit, unsecured, interest-free with no fixed terms of repayment. The carrying amounts of the advances to directors and shareholders of an associated company approximate of their fair values.

As at 31 March 2014, the Group has written-back the impairment charge with regards to these receivables after settlement was received during the year.

16. Investments in associated companies

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Equity investment at cost			**109**	109
Beginning of financial year	**419**	1,006		
Currency translation differences	**(21)**	(11)		
Additions	**–**	475		
Disposals	**–**	(637)		
Share of profits/(losses)	**680**	(414)		
End of financial year	**1,078**	419		

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

	Group	
	2014	2013
	$'000	$'000
- Assets	**9,776**	2,437
- Liabilities	**6,322**	1,307
- Revenue	**15,983**	2,977
- Net profit/(loss)	**2,393**	(42)

Details of associated companies are provided in Note 38.

17. Investments in subsidiaries

	Company	
	2014	2013
	$'000	$'000
Equity investments at cost		
Beginning of financial year	**14,714**	8,430
Acquisitions	**–**	6,442
Allowance for of impairment losses	**–**	(158)
	14,714	14,714
Loan to a subsidiary	**144**	142
End of financial year	**14,858**	14,856

Loan to a subsidiary is unsecured, interest-free with no fixed terms of repayment. However, substantial repayments are not expected within the next twelve months from the balance sheet date. This loan is considered to be part of the Company's net investment in the subsidiary.

Details of subsidiaries are included in Note 38.

18. Investment property

	Company	
	2014	2013
	$'000	$'000
Cost		
Beginning and end of financial year	**1,797**	1,797
Accumulated depreciation		
Beginning and end of financial year	**1,797**	1,797
Net book value		
End of financial year	**–**	–

The Company engages independent and qualified valuers to determine the fair value of the investment property at the end of every financial year based on the properties highest and best use.

The fair value of the investment property at the balance sheet date is $6,900,000 (2013: $7,700,000).

18. Investment property (continued)

Fair value hierarchy

	Fair value measurements at 31 March 2014 using significant unobservable inputs (Level 3)
	$
Investment property:	
- An office building - Singapore	**6,900,000**

Level 3 fair value of the investment property has been derived using the income capitalization approach which the independent valuers have also cross referenced with that obtained under sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size, tenure, location and condition of buildings and prevailing market conditions.

As the investment property of the Company is leased to a subsidiary, this property is reclassified as leasehold building at the Group level and included under property, plant and equipment (see Note 19).

19. Property, plant and equipment

	Freehold land and buildings	Leasehold buildings	Plant and machinery	Motor vehicles	Furniture, fittings and equipment	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
2014						
Cost						
Beginning of financial year	11,791	11,826	25,292	4,219	6,687	59,815
Additions	703	683	4,804	415	1,105	7,710
Disposals	–	–	(828)	(186)	(21)	(1,035)
Written off	–	–	(11)	(22)	(47)	(80)
Currency translation differences	(781)	–	(555)	8	(74)	(1,402)
End of financial year	11,713	12,509	28,702	4,434	7,650	65,008
Accumulated depreciation						
Beginning of financial year	128	9,744	17,086	3,576	5,420	35,954
Depreciation charge	133	846	2,232	313	800	4,324
Disposals	–	–	(712)	(136)	(20)	(868)
Written off	–	–	(11)	(22)	(45)	(78)
Currency translation differences	(3)	(90)	(201)	(27)	(52)	(373)
End of financial year	258	10,500	18,394	3,704	6,103	38,959
Net book value						
End of financial year	**11,455**	**2,009**	**10,308**	**730**	**1,547**	**26,049**

19. Property, plant and equipment (continued)

	Freehold land and buildings	Leasehold buildings	Plant and machinery	Motor vehicles	Furniture, fittings and equipment	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
2013						
Cost						
Beginning of financial year	428	11,826	17,963	3,957	5,412	39,586
Additions	1,947	–	4,895	159	833	7,834
Disposals	(788)	–	(2,263)	(415)	(80)	(3,546)
Currency translation differences	472	–	341	15	26	854
Acquisition of subsidiary	9,732	–	4,356	503	496	15,087
End of financial year	11,791	11,826	25,292	4,219	6,687	59,815
Accumulated depreciation						
Beginning of financial year	66	8,376	14,538	3,180	4,530	30,690
Depreciation charge	325	463	1,575	401	542	3,306
Disposals	(315)	–	(1,970)	(415)	(75)	(2,775)
Currency translation differences	52	–	100	10	17	179
Acquisition of subsidiary	–	905	2,843	400	406	4,554
End of financial year	128	9,744	17,086	3,576	5,420	35,954
Net book value						
End of financial year	**11,663**	**2,082**	**8,206**	**643**	**1,267**	**23,861**

19. Property, plant and equipment (continued)

	Leasehold building	Plant and machinery	Motor vehicles	Furniture, fittings and equipment	Total
	$'000	$'000	$'000	$'000	$'000
Company					
2014					
Cost					
Beginning of financial year	7,450	16,414	2,861	4,256	30,981
Additions	73	3,419	413	788	4,693
Disposals	–	(580)	(49)	–	(629)
Written off	–	–	(22)	(8)	(30)
End of financial year	7,523	19,253	3,203	5,036	35,015
Accumulated depreciation					
Beginning of financial year	4,463	13,697	2,469	3,574	24,203
Depreciation charge	466	1,289	228	541	2,524
Disposals	–	(546)	(49)	–	(595)
Written off	–	–	(22)	(8)	(30)
End of financial year	4,929	14,440	2,626	4,107	26,102
Net book value					
End of financial year	**2,594**	**4,813**	**577**	**929**	**8,913**
2013					
Cost					
Beginning of financial year	7,450	15,787	2,961	3,944	30,142
Additions	–	795	110	312	1,217
Disposals	–	(168)	(210)	–	(378)
End of financial year	7,450	16,414	2,861	4,256	30,981
Accumulated depreciation					
Beginning of financial year	4,000	12,854	2,364	3,235	22,453
Depreciation charge	463	965	315	339	2,082
Disposals	–	(122)	(210)	–	(332)
End of financial year	4,463	13,697	2,469	3,574	24,203
Net book value					
End of financial year	**2,987**	**2,717**	**392**	**682**	**6,778**

19. Property, plant and equipment (continued)

(a) Certain freehold land and buildings of the Group with a net carrying amount of approximately $8,488,000 (2013: $8,097,000) at 31 March 2014, were pledged as collateral to secure credit facilities granted by financial institutions amounting to approximately $2,644,000 (2013: $2,098,000).

(b) Certain leasehold buildings of the Group with a net carrying amount of $22 (2013: $22) at 31 March 2014, were mortgaged to banks to secure banking facilities amounting to $81,745,000 (2013: $48,078,000).

(c) The carrying amount of plant and equipment held under finance leases are $688,000 (2013: $199,000) and $586,000 (2013: NIL) for the Group and Company respectively at the balance sheet date.

(d) 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 to 15 June 2031
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 extended to 31 December 2021
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 extended to 31 December 2021
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 to 15 February 2018
A single-storey factory building with mezzanine office	30 Tuas Crescent, Singapore	8,959	Lease term of 22 years commencing 1 June 1997
An office unit	121 Xincun Street, Block 8/1, Unit 1105, Union Tower, Putuo, Shanghai, PRC	86	Lease term of 50 years commencing 1 November 2004

19. Property, plant and equipment (continued)

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

Description	Location	Land/Floor Area (sq metres)	Tenure
Factory buildings and workshops and two-storey office building	27/58 Moo 8, Bueng, Sriracha, Chonburi 20230, Thailand.	116,504	Freehold
Land at Lot 685	Mukim Sq. Karang District of Kuantan, Malaysia	10,612	Freehold
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 Perindustrian Puchong, Batu 12, 47100 Puchong, Selangor Darul Ehsan, Malaysia	551	Freehold

20. Intangible assets

	Group	
	2014	2013
	$'000	$'000
Composition:		
Goodwill arising on consolidation [Note 20(a)]	**4,440**	4,440
Customer contracts [Note 20(b)]	**34**	261
Customer relationships [Note 20(c)]	**2,183**	2,303
	6,657	7,004

20. Intangible assets (continued)

(a) Goodwill arising on consolidation	Group	
	2014	2013
	$'000	$'000
Cost		
Beginning of financial year	**4,440**	–
Acquisition of a subsidiary	**–**	4,440
End of financial year	**4,440**	4,440

The carrying amount of goodwill arising on consolidation as at 31 March 2014 was $4,440,000 (2013: $4,440,000).

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified for operation in Thailand. The recoverable amount of a CGU was determined based on value-in-use. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were using the estimated growth rates stated below.

Key assumptions used for value-in-use calculations:

2014	Thailand
Gross margin[1]	15.9%
Growth rate[2]	3.0%
Discount rate[3]	9.6%

[1] *Budgeted gross margin*
[2] *Weighted average growth rate used to extrapolate cash flows beyond the budget period*
[3] *Pre-tax discount rate applied to the pre-tax cash flow projections*

These assumptions were used for the analysis of the Thailand CGU. Management determined budgeted gross margin based on past performance and its expectations of market developments. The weighted average growth rate used was consistent with forecasts included in industry reports. The discount rates used were pre-tax and reflected specific risks relating to the relevant segments.

If the management's estimated pre-tax discount rate applied to the discounted cash flows at 31 March 2014 had been raised by 1% or the assumed growth rate applied to the discounted cash flows at 31 March 2014 had declined by 1%, with all other variables including tax rate being held constant, the recoverable amount would still be in excess of the carrying amount of goodwill in the CGU.

20. Intangible assets (continued)

(b) Customer contracts

	Group	
	2014	2013
	$'000	$'000
Cost		
Beginning of financial year	**454**	–
Acquisition of subsidiary	**–**	454
End of financial year	**454**	454
Accumulated amortisation		
Beginning of financial year	**193**	–
Amortisation charge	**227**	193
End of financial year	**420**	193
Net book value	**34**	261

(c) Customer relationships

	Group	
	2014	2013
	$'000	$'000
Cost		
Beginning of financial year	**2,405**	–
Acquisition of subsidiary	**–**	2,405
End of financial year	**2,405**	2,405
Accumulated amortisation		
Beginning of financial year	**102**	–
Amortisation charge	**120**	102
End of financial year	**222**	102
Net book value	**2,183**	2,303

21. Available-for-sale financial assets

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**2,482**	–	**2,482**	–
Additions	**–**	2,482	**–**	2,482
End of financial year	**2,482**	2,482	**2,482**	2,482

The available-for-sale financial assets, comprised investment in unlisted equity securities in Vietnam, stated at cost.

Fair value information has not been disclosed for the Group's investment in equity instruments that are carried at cost because fair value cannot be measured reliably. These equity instruments represent ordinary shares in the companies that are not quoted on any market. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques is significant. The Group does not intend to dispose of these investments in the foreseeable future.

22. Club memberships

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Transferable club memberships, at cost	**503**	503	**402**	402
Less: impairment charge	**(140)**	(140)	**(104)**	(104)
Total	**363**	363	**298**	298

23. Trade and other payables

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Trade payables to:				
- Non-related parties	**88,686**	63,901	**48,429**	37,062
- Subsidiaries	**–**	–	**6,998**	3,397
- Associated companies	**1,051**	850	**92**	27
	89,737	64,751	**55,519**	40,486
Construction contracts:				
- Advances received (Note 13)	**38**	–	**–**	–
- Due to customers (Note 13)	**1,230**	3,184	**7**	416
Non-trade payables:				
- Subsidiaries [Note 34(g)]	**–**	–	**4,933**	1,852
Other payables	**1,703**	72	**14**	29
Accruals for operating expenses	**4,216**	4,256	**2,197**	2,504
Total trade and other payables	**96,924**	72,263	**62,670**	45,287

24. Borrowings

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Current				
Bank overdrafts (Note 11)	**1,416**	2,121	**–**	–
Bank borrowings	**27,752**	772	**22,098**	–
Trust receipts creditors	**7,140**	31	**6,192**	–
Finance lease liabilities (Note 25)	**245**	54	**197**	–
	36,553	2,978	**28,487**	–
Non-current				
Bank borrowings	**451**	1,205	**–**	–
Finance lease liabilities (Note 25)	**383**	88	**342**	–
	834	1,293	**342**	–
Total borrowings	**37,387**	4,271	**28,829**	–

(a) Security granted

(i) Bank overdrafts and trust receipts of the Group amounting to $1,155,000 (2013: $2,116,000) are secured by short-term deposits of the subsidiary amounting to MYR2,106,000 (equivalent of $813,000) [2013: MYR1,693,000 (equivalent of $679,000)] (see Note 11) and corporate guarantees granted by the Company amounting to MYR14,300,000 (equivalent of $5,521,000) [2013: MYR14,800,000 (equivalent of $5,936,000)];

(ii) Bank overdrafts and bank borrowings of the Group amounting to $2,314,000 (2013: $2,013,000) are secured by fixed deposits of the subsidiary amounting to NIL [2013: THB 12,500,000 (equivalent of $530,000)] (see Note 11) and the mortgage of the subsidiary's land and buildings, and corporate guarantees granted by the Company amounting to THB 390,600,000 (equivalent of $15,197,000) [2013: THB155,000,000 (equivalent of $6,578,000)]. Interest on bank borrowings is charged at rate based on Minimum Loan Rate (MLR). Repayment is to be made by monthly basis of THB 1,400,000 (equivalent of $59,000) per month. Full settlement of the loan is to be made by December 2015.

(iii) Bank borrowings and trust receipts creditors of the Group and the Company amounting to $23,037,000 (2013: NIL) are secured by the mortgage of the Company and subsidiary's leasehold buildings. Bank borrowings of the Group amounting to $5,000,000 (2013: NIL) are secured by the corporate guarantee granted by the Company amounting to $40,050,000 (2013: $12,000,000).

(iv) Finance lease liabilities of the Group are effectively secured over the leased plant and equipment (Note 25), as the legal title is retained by the lessor and will be transferred to the Group upon full settlement of the finance lease liabilities.

24. Borrowings (continued)

(b) Fair value of non-current borrowings

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Bank borrowings	**416**	1,205	**–**	–
Finance lease liabilities	**383**	88	**342**	–

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	
	2014	2013	**2014**	2013
Bank borrowings	**7.9%**	5.2%	**–**	–
Finance lease liabilities	**2.0%**	2.5%	**1.6%**	–

(c) Interest rate risks

The weighted average effective interest rates of total borrowings at the balance sheet date were as follows:

	Group	
	2014	2013
Bank overdraft	**7.9%**	8.1%
Bank borrowings	**2.0%**	6.1%
Finance lease liabilities	**2.0%**	2.5%

25. 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	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Minimum lease payments due				
- Not later than one year	**260**	64	**211**	–
- Between one and five years	**396**	104	**351**	–
	656	168	**562**	–
Less: Future finance charges	**(28)**	(26)	**(23)**	–
Present value of finance lease liabilities	**628**	142	**539**	–

25. Finance lease liabilities (continued)

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

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Not later than one year (Note 24)	**245**	54	**197**	–
Between one and five years (Note 24)	**383**	88	**342**	–
Total	**628**	142	**539**	–

26. 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	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Deferred income tax assets				
- to be recovered after one year	**(294)**	–	**–**	–
Deferred income tax liabilities				
- to be settled after one year	**1,536**	1,559	**458**	458

Movement in deferred income tax account is as follows:

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**1,559**	516	**458**	569
Tax credit to profit or loss [Note 9(a)]	**(319)**	(111)	**–**	(111)
Acquisition of subsidiary	**–**	1,154	**–**	–
Currency translation differences	**2**	–	**–**	–
End of financial year	**1,242**	1,559	**458**	458

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.

26. Deferred income taxes (continued)

As at 31 March 2014, the Group has unutilised tax losses of approximately $6,201,000 (2013: $1,699,000) and capital allowances of approximately $482,000 (2013: $11,000) available which can be carried forward and used to offset against future taxable income subject to the relevant provisions of the Income Tax Act. Deferred tax assets on these unutilised tax losses and capital allowances have not been recognised as the directors are uncertain as to whether future taxable profits will be available against which they can be utilised. The tax losses have no expiry date.

Group

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

Deferred income tax liabilities

	Accelerated tax depreciation	Total
	$'000	$'000
2014		
Beginning of financial year	**1,664**	**1,664**
Credited to profit or loss	**(128)**	**(128)**
End of financial year	**1,536**	**1,536**
2013		
Beginning of financial year	621	621
Credited to profit or loss	(111)	(111)
Acquisition of subsidiary	1,154	1,154
End of financial year	1,664	1,664

Deferred income tax assets

	Excess of depreciation over capital allowances	Tax losses	Total
	$'000	$'000	$'000
2014			
Beginning of financial year	**(105)**	**–**	**(105)**
Charged/(credited) to profit or loss	**9**	**(200)**	**(191)**
Net currency translation differences	**–**	**2**	**2**
End of financial year	**(96)**	**(198)**	**(294)**
2013			
Beginning and end of financial year	(105)	(105)	(105)

26. Deferred income taxes (continued)

Company

Deferred income tax liabilities

	Accelerated tax depreciation $'000	Total $'000
2014		
Beginning and end of financial year	**458**	**458**
2013		
Beginning of financial year	569	569
Credited to profit or loss	(111)	(111)
End of financial year	458	458

27. Share capital

	Issued share capital			
	Number of shares		Amount	
	2014	2013	**2014**	2013
	'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.

28. Other reserves (non-distributable)

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
(a) Composition:				
Currency translation reserve	**(75)**	(70)	**–**	–
(b) Movements:				
(i) Currency translation reserve				
Beginning of financial year	**(70)**	(31)	**–**	–
Net currency translation differences of financial statements of foreign subsidiaries and associated companies	**(5)**	(39)	**–**	–
End of financial year	**(75)**	(70)	**–**	–

29. Retained profits

(a) Retained profits of the Group are distributable except for the accumulated retained losses of associated companies amounting to $67,000 (2013: $747,000). Retained profits of the Company are distributable.

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

	Company	
	2014	2013
	$'000	$'000
Beginning of financial year	**34,673**	31,870
Net (loss)/profit	**(1,533)**	5,841
Dividends paid (Note 30)	**(3,035)**	(3,038)
End of financial year	**30,105**	34,673

30. Dividends

	Group and Company	
	2014	2013
	$'000	$'000
Ordinary dividends paid		
Final exempt dividend paid in respect of the previous financial year of 0.5 cent (2013: 0.5 cent) per share	**1,519**	1,519
Interim exempt dividend paid in respect of the current financial year of 0.5 cent (2013: 0.5 cent) per share	**1,516**	1,519
	3,035	3,038

31. Contingencies

The Company has issued corporate guarantees to banks for credit facilities granted to its subsidiaries. The principal risk to which the Company is exposed is credit risk of the subsidiaries in connection with the guarantees it has issued, which may have a material impact on the Company.

Corporate guarantees issued by and the Company are as follows:

	Company	
	2014	2013
	$'000	$'000
MYR14,300,000 (2013: MYR14,800,000)	**5,521**	5,936
USD8,000,000 (2013: USD5,000,000)	**10,088**	9,934
THB390,600,000 (2013: THB155,000,000)	**15,197**	6,578
SGD42,050,000 (2013: SGD14,000,000)	**42,050**	14,000
	72,856	36,448

As at 31 March 2014, the Company has undertaken financial support to subsidiaries which are in net current liabilities position of $5,229,000 (2013: $2,708,000).

32. Commitments

Operating lease commitments - where the Group and Company is a lessee

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	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Not later than one year	**1,587**	1,358	**1,367**	1,166
Between one and five years	**5,662**	5,359	**4,770**	4,589
Later than five years	**3,404**	3,650	**2,789**	2,928
	10,653	10,367	**8,926**	8,683

33. 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 any 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, Malaysia and Thailand. 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 ("MYR").

In addition, the Group is exposed to currency translation risk on the net assets of 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.

33. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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

	SGD $'000	USD $'000	THB $'000	MYR $'000	Other $'000	Total $'000
At 31 March 2014						
Financial assets						
Cash and cash equivalents	**4,620**	**1,081**	**265**	**1,536**	**310**	**7,812**
Trade and other receivables	**67,227**	**24,133**	**7,797**	**10,712**	**66**	**109,935**
	71,847	**25,214**	**8,062**	**12,248**	**376**	**117,747**
Financial liabilities						
Borrowings	**(33,831)**	**–**	**(2,341)**	**(1,215)**	**–**	**(37,387)**
Trade and other payables	**(64,546)**	**(2,812)**	**(8,080)**	**(21,390)**	**(96)**	**(96,924)**
	(98,377)	**(2,812)**	**(10,421)**	**(22,605)**	**(96)**	**(134,311)**
Net financial (liabilities)/ assets	**(26,530)**	**22,402**	**(2,359)**	**(10,357)**	**280**	**(16,564)**
Less: Net financial assets/ (liabilities) denominated in the respective entities functional currencies	**26,530**	**–**	**2,173**	**7,240**	**(207)**	**35,736**
Currency exposure	**–**	**22,402**	**(186)**	**(3,117)**	**73**	**19,172**
At 31 March 2013						
Financial assets						
Cash and cash equivalents	8,852	6,151	1,065	2,505	170	18,743
Trade and other receivables	63,502	8,008	2,795	7,466	24	81,795
	72,354	14,159	3,860	9,971	194	100,538
Financial liabilities						
Borrowings	–	–	(2,071)	(2,200)	–	(4,271)
Trade and other payables	(52,233)	(2,532)	(9,855)	(7,638)	(5)	(72,263)
	(52,233)	(2,532)	(11,926)	(9,838)	(5)	(76,534)
Net financial assets/ (liabilities)	20,121	11,627	(8,066)	133	189	24,004
Less: Net financial assets/ (liabilities) denominated in the respective entities functional currencies	(20,121)	–	8,126	(85)	–	(12,080)
Currency exposure	–	11,627	60	48	189	11,924

33. 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	MYR $'000	Other $'000	Total $'000
At 31 March 2014						
Financial assets						
Cash and cash equivalents	**3,069**	**57**	**11**	**–**	**19**	**3,156**
Trade and other receivables	**104,656**	**325**	**3,195**	**3,511**	**35**	**111,722**
	107,725	**382**	**3,206**	**3,511**	**54**	**114,878**
Financial liabilities						
Borrowings	**(28,829)**	**–**	**–**	**–**	**–**	**(28,829)**
Trade and other payables	**(62,577)**	**(2)**	**–**	**–**	**(91)**	**(62,670)**
	(91,406)	**(2)**	**–**	**–**	**(91)**	**(91,499)**
Net financial assets/ (liabilities)	**16,319**	**380**	**3,206**	**3,511**	**(37)**	**23,379**
Less: Net financial assets/ (liabilities) denominated in the functional currency	**(16,319)**	**–**	**–**	**–**	**–**	**(16,319)**
Currency exposure	**–**	**380**	**3,206**	**3,511**	**(37)**	**7,060**
At 31 March 2013						
Financial assets						
Cash and cash equivalents	6,659	1,084	12	–	19	7,774
Trade and other receivables	69,195	335	3,485	–	1,153	74,168
	75,854	1,419	3,497	–	1,172	81,942
Financial liabilities						
Trade and other payables	(44,254)	(1,033)	–	–	–	(45,287)
	(44,254)	(1,033)	–	–	–	(45,287)
Net financial assets/ (liabilities)	31,600	386	3,497	–	1,172	36,655
Less: Net financial assets/ (liabilities) denominated in the functional currency	(31,600)	–	–	–	–	(31,600)
Currency exposure	–	386	3,497	–	1,172	5,055

33. Financial risk management (continued)

(a) *Market risk* (continued)

(i) *Currency risk* (continued)

If the USD and MYR change against the SGD by 5% (2013: 5%) with all other variables including tax rate being held constant, the effects arising from the net financial asset positions will be as follows:

	2014	2013
	Increase/(decrease)	
	Loss after tax	Profit after tax
	$'000	$'000
Group		
USD against SGD		
- strengthened	**(930)**	482
- weakened	**930**	(482)
MYR against SGD		
- strengthened	**129**	2
- weakened	**(129)**	(2)
Company		
USD against SGD		
- strengthened	**(16)**	16
- weakened	**16**	(16)
MYR against SGD		
- strengthened	**(146)**	–
- weakened	**146**	–

(ii) *Price risk*

The Group has insignificant exposure to equity price risk as it does not hold significant equity financial assets except for investment in unlisted equity in Vietnam which is stated at cost (see Note 21).

(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 fair 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.

33. 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 balances and 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	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Corporate guarantees provided to banks for credit facilities granted to:				
- Subsidiaries	**–**	–	**72,856**	36,448
	–	–	**72,856**	36,448

The trade receivables of the Group and of the Company comprise 5 debtors (2013: 2 debtors) and 2 debtors (2013: NIL debtors) respectively that individually represented 5-19% (2013: 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 and non-current other receivables.

33. Financial risk management (continued)

(b) *Credit risk* (continued)

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

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

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Past due < 3 months	**20,853**	7,603	**12,994**	2,141
Past due 3 to 6 months	**9,929**	5,394	**2,666**	3,386
Past due over 6 months	**5,664**	6,671	**3,189**	750
	36,446	19,668	**18,849**	6,277

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	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Gross amount	**684**	361	**74**	–
Less: Allowance for impairment	**(684)**	(361)	**(74)**	–
	–	–	**–**	–
Beginning of financial year	**361**	538	**–**	–
Allowance made/(write-back) allowance	**370**	(177)	**74**	–
Amount written off	**(47)**	–	**–**	–
End of financial year	**684**	361	**74**	–

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

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

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Gross amount	**–**	540	**–**	–
Less: Allowance for impairment	**–**	(540)	**–**	–
	–	–	**–**	–
Beginning of financial year	**540**	246	**–**	–
(Write-back)/allowance made	**(540)**	294	**–**	–
End of financial year	**–**	540	**–**	–

33. Financial risk management (continued)

(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 24). 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 amount 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 2014				
Trade and other payables	**95,656**	**–**	**62,663**	**–**
Borrowings	**37,128**	**1,262**	**29,115**	**702**
	132,784	**1,262**	**91,778**	**702**
At 31 March 2013				
Trade and other payables	69,079	–	44,871	–
Borrowings	3,203	1,371	–	–
	72,282	1,371	44,871	–

(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 the banks to maintain a gearing ratio of not exceeding 250% (2013: 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 less cash and cash equivalents. Total capital is calculated as equity plus net debt.

33. Financial risk management (continued)

(d) *Capital risk* (continued)

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Net debt	**29,575**	–	**25,673**	–
Total equity	**73,212**	79,692	**66,283**	70,851
Total capital	**102,787**	79,692	**91,956**	70,851
Gearing ratio	**29%**	-%	**28%**	-%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 March 2014 and 2013.

(e) *Fair value measurements*

The carrying values of financial assets and liabilities approximate to their fair values.

34. 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	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Purchase of computer equipment from an associated company	**98**	90	**75**	7
Computer maintenance fees paid to an associated company	**206**	179	**184**	167
Sales to associated company	**1,157**	4	**–**	–
Bank facilities fee receivables from an associated company	**43**	–	**–**	–
Purchases from an associated company	**1,778**	1,983	**–**	–

Outstanding balances as at 31 March 2014 are set out in Notes 12 and 23.

34. Related party transactions (continued)

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2014	2013
	$'000	$'000
Salaries and other short-term employee benefits	**2,660**	3,322
Employer's contribution to defined contribution plans, including Central Provident Fund	**67**	65
	2,727	3,387

Included in the above is total compensation to directors of the Company amounting to $1,375,000 (2013: $1,801,000).

The banding of directors' remuneration is as follows:

	Company	
	2014	2013
Number of directors of the Company in remuneration bands:		
$500,000 to $749,999	**1**	2
$250,000 to $499,999	**1**	–
Below $250,000	**4**	4
Total	**6**	6

(c) Loans to subsidiaries

Loans to subsidiaries amounting to $36,866,000 (2013: $8,289,000) as set out in Note 12 are unsecured, interest-free and repayable on demand.

(d) Loan to an associated company

	Group and Company	
	2014	2013
	$'000	$'000
Current		
PT Technic (M) Sdn. Bhd.	**–**	321
	–	321

The loan to PT Technic (M) Sdn. Bhd. is unsecured, interest-free and repayable on demand and repaid in 2014.

34. Related party transactions (continued)

(e) Non-trade receivables from subsidiaries

The non-trade receivables from subsidiaries amounting to $2,858,000 (2013: $5,771,000) 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 NIL (2013: $26,000) as set out in Note 12, are unsecured, interest-free and repayable on demand and repaid in 2014.

(g) Non-trade payables to subsidiaries

The non-trade payables to subsidiaries amounting to $4,933,000 (2013: $1,852,000) as set out in Note 23, are unsecured, interest-free and repayable on demand.

35. 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 the following two business segments: (i) Plant construction and maintenance and (ii) 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.

35. Segment information (continued)

The segment information provided to the management team for the reportable segments for the year ended 31 March 2014 is as follows:

	Plant construction and maintenance	Compression and process equipment fabrication	Total
	$'000	$'000	$'000
Group			
2014			
Revenue			
Revenue from external parties	211,991	46,626	258,617
Adjusted EBITDA	1,665	254	1,919
Depreciation	(4,210)	(114)	(4,324)
Share of results of associated companies	680	–	680
Total assets	179,421	29,837	209,258
Total assets include:			
Investment in associated companies	1,078	–	1,078
Additions to:			
- property, plant and equipment	7,626	84	7,710
Total liabilities	(114,884)	(20,964)	(135,848)
2013			
Revenue			
Revenue from external parties	204,990	32,427	237,417
Adjusted EBITDA	14,398	(3,730)	10,668
Depreciation	(3,195)	(111)	(3,306)
Share of results of associated companies	(414)	–	(414)
Total assets	139,735	18,397	158,132
Total assets include:			
Investment in associated companies	419	–	419
Additions to:			
- property, plant and equipment	7,690	144	7,834
Total liabilities	(69,418)	(9,022)	(78,440)

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.

35. Segment information (continued)

The management team assesses the performance of the operating segments based on a measure of Earnings before interest, tax, depreciation, amortisation and costs that are not expected to recur in every period ("adjusted EBITDA"). 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 provided as follows:

	2014	2013
	$'000	$'000
Adjusted EBITDA for reportable segments	**1,919**	10,668
Depreciation	**(4,324)**	(3,306)
Amortisation	**(347)**	(295)
Finance expense	**(499)**	(299)
Interest income	**84**	98
(Loss)/profit before tax	**(3,167)**	6,866

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.

	2014	2013
	$'000	$'000
Segment assets for reportable segments	**209,258**	158,132

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.

	2014	2013
	$'000	$'000
Segment liabilities for reportable segments	**135,848**	78,440

35. Segment information (continued)

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 four main geographical areas:

(a) 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;

(b) Malaysia - the operations in this area are principally the provision of mechanical engineering services, plant construction and plant maintenance for the petroleum and petrochemical industry;

(c) Thailand - 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 and fabrication of compression and process equipment;

(d) The People's Republic of China - the operations in this area are principally the fabrication of compression and process equipment; and

(e) Other countries (including Vietnam and Africa) - 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.

	2014	2013
	$'000	$'000
Revenue		
Singapore	**135,092**	130,124
Malaysia	**48,767**	49,788
Thailand	**34,261**	20,885
People's Republic of China	**18,105**	14,424
Vietnam	**3,740**	7,468
Africa	**15,196**	11,443
Other countries	**3,456**	3,285
	258,617	237,417

35. Segment information (continued)

Geographical information (continued)

	2014 $'000	2013 $'000
Non-current assets		
Singapore	**19,508**	17,540
Malaysia	**1,857**	1,683
Thailand	**14,948**	15,522
People's Republic of China	**610**	–
Vietnam	**–**	–
Africa	**–**	–
Other countries	**–**	–
	36,923	34,745

Revenues of approximately $47,100,000 (2013: $43,400,000) are derived from a single external customer. These revenues are attributable to the Singapore plant construction and maintenance segment.

36. 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 2014 or later periods and which the Group has not early adopted:

FRS 110 Consolidated Financial Statements (effective for annual periods beginning on or after 1 April 2014).

FRS 110 replaces all of the guidance on control and consolidation in FRS 27 "Consolidated and Separate Financial Statements" and INT FRS 12 "Consolidation - Special Purpose Entities". The same criteria are now applied to all entities to determine control. Additional guidance is also provided to assist in the determination of control where this is difficult to assess. The Group will apply FRS 110 from 1 April 2014, but this is not expected to have any significant impact on the financial statements of the Group.

FRS 112 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 April 2014)

FRS 112 requires disclosure of information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in (1) subsidiaries, (2) associates, (3) joint arrangements and (4) unconsolidated structured entities. The Group will apply FRS 112 from 1 April 2014 but this is not expected to have any significant impact on the financial statements of the Group.

37. 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 7 July 2014.

38. Listing of companies in the Group

Name of companies	Principal activities	Country of business/ incorporation	Equity Holding – The Company 2014 %	Equity Holding – The Company 2013 %	Equity Holding – Subsidiary 2014 %	Equity Holding – Subsidiary 2013 %
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 services, compression and process equipment fabrication 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	**–**	–
HS Info-Tech Pte Ltd [(a)]	Investment holding	Singapore	**100**	100	**–**	–
Nasco-Hiap Seng Engineering Co Ltd [(e)]	Mechanical engineering services, plant fabrication and installation and plant maintenance for petroleum and petrochemical industries	Thailand	**85**	85	**–**	–
PT Technic Engineering Sdn. Bhd. [(b)]	Provision of mechanical engineering services, plant fabrication and installation and plant maintenance for 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**	100	**–**	–
Hiap Seng Engineering (M) Sdn Bhd [(h)]	Provision of engineering services, plant construction and maintenance services	Malaysia	**100**	100	**–**	–
Hiap Seng Engineering Shanghai Co. Ltd [(c)]	Provision of engineering services and plant maintenance	PRC, Shanghai	**100**	100	**–**	–

38. Listing of companies in the Group (continued)

Name of companies	Principal activities	Country of business/ incorporation	Equity Holding			
			The Company		Subsidiary	
			2014 %	2013 %	**2014 %**	2013 %
Associated companies						
Logthai-Hiap Seng Engineering Ltd (g)	Investment holding	Thailand	**49**	49	**–**	–
PT Technic (M) Sdn. Bhd. (b), (d)	Mechanical engineering works and services, plant fabrication and installation works for oil, gas and petrochemical industries	Malaysia	**–**	–	**30**	30
Web-Economy Technology Pte Ltd (f)	Internet e-business solutions including internet professional services	Singapore	**–**	–	**30**	30
Hiap Seng Manco Co. (I)	General construction and trade of electrical tools and mechanical equipment	Qatar	**–**	–	**49**	49

(a) Audited by PricewaterhouseCoopers LLP, Singapore.
(b) Audited by Deloitte Touche Tohmatsu, Malaysia.
(c) Audited by Shanghai Asahi Certified Public Accountants.
(d) Shares are held by PT Technic Engineering Sdn. Bhd.
(e) Audited by Ernst & Young, Thailand.
(f) Audited by DP & Associates.
(g) Audited by K Methathuschavalit (CPA, Thailand)
(h) Audited by Crowe Horwath AF 1018.
(I) Not required to be audited under the laws of the country of incorporation.

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 2012 (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 Non-Executive Directors. With three out of six members of the Board being independent, the Company maintains a satisfactory independent element on the Board. The Board, taking into account the nature of operations of the Company, considers its current size to be adequate for effective decision making.

The Directors of the Company as at the date of this report are:-

Mr Tan Ah Lam (Executive Chairman and Chief Executive Officer)
Mr Tan Leau Kuee @ Tan Chow Kuee (Executive Director)
Mr Tan Lian Chew (Executive Director)
Dr John Chen Seow Phun (Independent Non-Executive Director)
Mr Koh Kim Wah (Independent Non-Executive Director)
Mr M. Rajaram (Independent Non-Executive Director)

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 pages 91 to 92 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 Company will also arrange for new Director with no prior experience of serving as a director in a listed company to attend appropriate courses, conferences or seminars, including programmes or courses organised by the Singapore Institute of Directors or other training institutions in areas such as accounting, legal and industry-specific knowledge. All expenses in relation to the trainings are at the expenses of the Company.

The Company has adopted internal guidelines governing matters that require the Board's approval. The Board Authority Matrix forms a guideline and provides clear directions on matters requiring Board's approval which include:

- Issuance of shares
- Major investments
- Material acquisitions and disposal of assets
- Major corporate or financial restructurings
- Major divestment or capital expenditure
- Material legal suits and or claims
- Announcement of the Company's quarterly and full-year results and the release of the Annual Reports.

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.

All Directors must objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company. The Non-Executive Directors constructively challenge, review and discuss key issues and assist in developing proposals on strategy, as well as review the performance of management in meeting identified goals and monitor the reporting of performance. All Directors take decisions objectively in the interests of the Company.

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 Key Management Personnel 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. The appointment and the removal of the Company Secretaries is a matter for the Board as a whole.

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 telephone conferencing or by means of similar communication equipment whereby all persons participating in the meeting are able to hear each other, provided that the requisite quorum is present.

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	5
Tan Ah Lam (Executive Chairman and Chief Executive Officer)	4	NM	1	NM
Tan Leau Kuee @ Tan Chow Kuee (Executive Director)	4	NM	NM	NM
Tan Lian Chew (Executive Director)	4	NM	NM	NM
Dr. John Chen Seow Phun (Independent Director)	4	4	NM	5
Koh Kim Wah (Independent Director)	4	4	1	5
M. Rajaram (Independent Director)	3	3	1	4

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. He also encourages constructive relations within the Board and between the Board and Management.

The Executive Chairman and CEO also ensure 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 current members of the NC are:

Mr M. Rajaram (Chairman)
Mr Tan Ah Lam
Mr Koh Kim Wah

Mr M. Rajaram and Mr Koh Kim Wah are independent directors and are not associated with the substantial shareholders of the Company.

The Board has approved the written terms of reference of the Nominating Committee. The functions of the Nominating Committee among others, include the following:-

a) Review and make recommendations to the Board on all candidates nominated for appointment to the Board;

b) Review and make recommendations to the Board on all new employment of related persons and Key Management Personnel and the proposed terms of their employment;

c) Review training and professional development programme for the Board;

d) Procure that at least one-third of the Board shall comprise independent Directors (or such other minimum proportion and criteria as may be specified in the Code from time to time);

e) Identify and make 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;

f) Conduct rigorous review of the independence of any Director who had served on the Board beyond nine (9) years from the date of his appointment, and the Board should explain why any such Director should be consider independent;

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

h) Propose 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;

i) Decide if a Director is able to and has carried out his duties adequately as a Director of the Company, taking into consideration the Director's number of listed company board representatives and other principal commitments; and

j) Put in place plans for succession, in particular, the Chairman of the Board and the Chief Executive Officer.

For the year under review, the NC 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 NC also evaluates the contribution of each Director to the effectiveness of the Board by having the Directors complete a questionnaire. The findings of the above were analysed and discussed with a view to implementing certain recommendations to further enhance the effectiveness of the Board. No external facilitator was used in FY2014.

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 shall stay in office for more than three years without being re-elected by shareholders. A retiring Director is eligible for re-election.

The dates of initial appointment, last re-election/ re-appointment and other directorships of each of the Directors are set out below:

Director	Position	Date of Initial Appointment	Date of Last Re-Election	Membership of Board Committee	Directorship/ Chairmanship both present and those held over the preceding three years in other listed company
Tan Ah Lam	Executive Chairman and CEO	31 March 1972	30 July 2013	Nominating Committee	<u>Present</u> NIL <u>Past three years</u> NIL
Tan Leau Kuee @ Tan Chow Kuee	Executive Director	24 September 1990	30 July 2012	–	<u>Present</u> NIL <u>Past three years</u> NIL

Director	Position	Date of Initial Appointment	Date of Last Re-Election	Membership of Board Committee	Directorship/ Chairmanship both present and those held over the preceding three years in other listed company
Tan Lian Chew	Executive Director	22 November 1983	30 July 2013	–	Present NIL Past three years NIL
Dr John Chen Seow Phun	Independent Director	18 September 2002	30 July 2012	Audit Committee, Remuneration Committee	Present 1. OKP Holdings Limited 2. Hanwell Holdings Ltd 3. Matex International Limited 4. Tat Seng Packaging Group Ltd 5. HLH Group Limited 6. Fu Yu Corporation Limited 7. Pavillon Holdings Ltd Past three years NIL
Koh Kim Wah	Independent Director	28 July 2005	28 July 2011	Audit Committee, Remuneration Committee, Nominating Committee	Present NIL Past three years NIL
M Rajaram	Independent Director	28 July 2005	30 July 2013	Audit Committee, Remuneration Committee, Nominating Committee	Present 1. Global Palm Resources Holdings Ltd Past three years NIL

Although the Independent Directors hold Directorship in other companies which are not within the Group, the Board is of the view that such multiple board representations do not hinder them from carrying out their duties as Directors. These Directors would widen the experience of the Board and give it a broader perspective. The Board does not prescribe a maximum limit on the number of listed company representations a Director may hold, as the Board believes that a Director can only determine by himself the number of board representations he can manage and the more appropriate measure is the ability of such Director. The Board has confirmed that the Independent Directors have committed sufficient time, resources and expertise to the affairs of the company to ensure their compliance with the Code.

Dr John Chen Seow Phun, Mr Koh Kim Wah and Mr M. Rajaram have served on the Board for more than nine years. The NC, having taken into consideration Guideline 2.4 of the Code, conducted a rigorous review of their contributions to the Board to determine if each of them has maintained the status of independence as defined by Guideline 2.3 of the Code. The NC also noted that Dr John Chen Seow Phun, Mr Koh Kim Wah and Mr M. Rajaram have always exercised their judgement in the interest of the Company, and have expressed their views independently at all times.

The NC is also responsible for determining annually and as and when circumstances required, the independence of Directors, bearing in mind the salient factors set out in the Code as well as other relevant circumstances and fact. In its annual review, the NC, having considered the guideline set out in the Code, confirmed that Dr John Chen Seow Phun, Mr Koh Kim Wah and Mr M. Rajaram remained independent in their judgment and can continue to discharge their duties objectively. Dr John Chen Seow Phun, Mr Koh Kim Wah and Mr M. Rajaram abstained from deliberating in respect of their independence status respectively.

The Directors retiring by rotation pursuant to Article 91 of the Company's Articles of Association at the forthcoming AGM is Mr Tan Leau Kuee @ Tan Chow Kuee.

Mr Tan Lian Chew, Mr Koh Kim Wah and Mr Tan Ah Lam, who are over the age of 70 years, will have to retire at the forthcoming AGM pursuant to Section 153(6) of the Companies Act Cap 50. Mr Tan Lian Chew, Mr Koh Kim Wah and Mr Tan Ah Lam have expressed their willingness to be re-appointed as a Director of the Company.

The NC recommended to the Board that Mr Tan Leau Kuee @ Tan Chow Kuee, Mr Koh Kim Wah, Mr Tan Lian Chew and Mr Tan Ah Lam be nominated for re-appointment/re-election as Director of the Company at the forthcoming AGM.

In making the recommendation, the NC evaluates such Directors' competencies, commitment, contribution and performance, such as their attendance at meetings of the Board and Board Committees, where applicable, participation, candour and any special contributions.

There is no alternate Director on the Board.

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

The current members of the Remuneration Committee comprise entirely of Non-Executive Directors. All of them including the Chairman, are independent. The members of the RC are:

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

The Board has approved the written terms of reference of the Remuneration Committee. The functions of the Remuneration Committee, among others, include the following:-

a) Recommend to the Board a framework of remuneration for the Board and the Key Management Personnel of the Group covering all aspects of remuneration such as Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind;

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

c) Determine the specific remuneration package for each executive Director;

d) Consider the eligibility of Directors for benefits under long-term incentive schemes;

e) Consider and recommend 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 Management Personnel of the Company to those required by law or by the Code;

f) Determine the specific remuneration package (including the base/fixed salary, allowances, bonuses, benefits-in-kind and performance-related incentives) for each executive Director and the Chief executive officer of the Company (or executive of similar rank) if he is not an executive Director.

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. No external remuneration consultant was used in FY2014.

The Company has no share-based compensation schemes or any long-term scheme involving the offer of shares or option in places.

In setting remuneration packages for Directors and Key Management Personnel of the Company, the pay and employment conditions within the industry and in comparable companies are taken into consideration. The RC seeks to establish and maintain an appropriate and competitive level of remuneration to attract, retain and motivate Directors and Key Management Personnel. The RC also ensures that the remuneration policies support the Company's objectives and strategies. The remuneration policy for key executives follows the guidelines laid down by the National Wages Council. Further, the Company's performance, the responsibility and performance of the individual key executive are taken into consideration. The RC recommends the remuneration packages of key executives for the Board's approval.

Remuneration and Benefits of Directors and Top Five Key Management Personnel

The following table shows a breakdown of the remuneration of Directors for FY2014:

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	85	–	15	–	100
S$250,000 to S$499,999					
Tan Leau Kuee @ Tan Chow Kuee	93	–	7	–	100
Below S$250,000					
Tan Lian Chew	100	–	–	–	100
Dr. John Chen Seow Phun	–	–	–	100	100
M. Rajaram	–	–	–	100	100
Koh Kim Wah	–	–	–	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 Non-Executive and Independent Directors do not have any service contracts with the Company. The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Director and Key Management Personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Company should be able to avail itself to remedies against the Executive Director in the event of such breach of fiduciary duties.

The annual remuneration of top five Key Management Personnel for FY2014 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)	85	10	5	100
Tan Yaw Song (note 2)	90	9	1	100
Below S$250,000				
Tan Hak Jin (note 3)	90	10	–	100
Lim Chin Boo Paul	91	9	–	100
Tan Puay Chye Leon	100	–	–	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 subsidiary, Nasco-Hiap Seng Engineering Co. Ltd.

3) Tan Hak Jin is also a Director of the Company's subsidiaries, Hiap Seng Engineering (M) Sdn Bhd, Hiap Seng Engineering (Shanghai) Co. Ltd and Nasco-Hiap Seng Engineering Co. Ltd.

The aggregate amount of the remuneration paid to the abovementioned Key Management Personnel is S$1,350,000. It is in the best interest of the Company for not disclosing the details remuneration of each Director and Key Management Personnel to maintain confidentiality of remuneration matters, given the competitive conditions in the industry. Instead, the Company is disclosing the remuneration of each Director and Key Management Personnel in bands of S$250,000 up to S$749,999. The aggregate amount of the post-employment benefit paid to the Directors and top five (5) Key Management Personnel in FY2014 was approximately S$2,725,000.

Remuneration of employees related to directors or substantial shareholders

Apart from Messrs Tan Ah Lam and Tan Leau Kuee @Tan Chow Kuee, there are 9 (2013: 11) 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 2014 was S$1,618,000 (FY2013: S$1,913,000).

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.

The number of employees who are immediate family members of a Director, and whose remuneration exceed S$50,000 during the financial year are as follows:

Remuneration Bands	Relationship with director or CEO	Base Salary[a] %	Variable Payment[b] %	Other Benefits[c] %	Total %
S$350,000 to S$399,999					
Tan Yew Kun	Brother of Tan Ah Lam and Tan Leau Kuee	85	10	5	100
Tan Yaw Song	Brother of Tan Ah Lam and Tan Leau Kuee	90	9	1	100
S$200,000 to S$349,999					
None					
S$150,000 to S$199,999					
Tan Phuay Chye	Nephew of Tan Ah Lam and Tan Leau Kuee	100	–	–	100
Goh Chwee Guan	Brother-in-law of Tan Ah Lam	91	9	–	100
S$100,000 to S$149,999					
Tan Yeow Lan	Sister of Tan Ah Lam and Tan Leau Kuee	94	6	–	100
Tan Phuay Hong	Son of Tan Ah Lam and Nephew of Tan Leau Kuee	100	–	–	100
Tay Hee Thiam	Cousin of Tan Ah Lam and Tan Leau Kuee	94	6	–	100
S$50,000 to S$99,999					
Tan Biby Valarie	Daughter of Tan Leau Kuee	94	6	–	100

RISK MANAGEMENT AND INTERNAL CONTROLS
(Code of Corporate Governance Principles 11)

The Board is responsible for the governance of risk and is fully aware of the need to put in place a sound system of the risk management and internal controls to safeguard the Shareholders' interests and the Group's assets. On an annual basis, the internal audit function prepares the internal audit plan taking into consideration the risks identified which is approved by the AC and the audits are conducted to assess the adequacy and the effectiveness of the Group's internal control system put in place, including financial, operational, compliance, information technology controls and risk management systems. Any material non-compliance or lapses in internal controls, together with recommendation for improvement are reported to the AC.

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 has established a separate Risk Management Work Team to assist it in carrying out its responsibility of overseeing the Company's risk management framework and policies. The Risk Management Work Team would determine the Group's levels of risk tolerance and risk policies, and oversees the Management in the design implementation and monitoring of the risk management and internal control systems. The Board would also monitors the Group's risks through the work performed by the AC, Risk Management Work Team, internal auditors and external auditors.

During the financial year, the AC having reviewed the existing internal control systems, work performed by the internal and external auditors and reviews performed by the Management, is not aware of any issue which would cause the AC to believe that the system of internal controls is inadequate and the same was reported to the Board. Based on the abovementioned review, the Board with the concurrence of the AC is of the opinion that currently there are adequate internal controls systems in the Company in addressing financial, operational, compliance and information technology controls and; risk management risks.

The Board regularly reviews the effectiveness of all internal controls, including operational controls.

AUDIT COMMITTEE ("AC")
(Code of Corporate Governance Principles 12)

The current members of the AC comprise entirely of Non-Executive Directors. All of them including the Chairman, are independent. The members of the AC are:

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

The Board has approved the written terms of reference of the AC. The functions of the AC, among others, include the following:-

a) Review with external auditors the audit plan, their evaluation of the system of internal accounting controls, their letter to Management and their audit report;

b) Review and report to the Board at least annually the adequacy and effectiveness of the Company's internal control, including financial, operational, compliance and information technology controls and risk management policies and system established by the Management at least once a year;

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

d) Review the assistance given by Management to external and internal auditors;

e) Review significant findings of internal investigations;

f) Review the scope, results and cost effectiveness of the external audit and the independence and objectivity of the external auditors;

g) Consider the appointment/re-appointment of the external auditors;

h) Review interested person transactions;

i) Other functions as required by law or the Code; and

j) Meet the internal and external auditors without the presence of Management at least once a year.

The AC meets quarterly 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 and authority to investigate any matter within it terms of reference. In addition, the AC has independent access to both internal and external auditors. The AC meets with the internal and external auditors without the presence of Management. The AC has reasonable resources to enable it to discharge its functions properly.

The AC is kept abreast by the Management of changes to accounting standards, the SGX-ST Listing Rules and other regulations which could have an impact to the Group's business and financial statements.

No former partner or Director of the Company's existing auditing firm or audit corporation is a member of the AC.

The AC having reviewed the independence and objectivity of the external auditors, is satisfied with the independence and objectivity of the external auditors. The audit fee for FY2014 paid to the external auditor, Messrs PricewaterhouseCoopers LLP ("PWC") was S$258,000. There was no non-audit fee paid to the external auditor.

The AC is also satisfied that the external auditor, PWC is able to meet the audit obligations of the Company and is pleased to recommend to the Board of Directors, the nomination of PWC for re-appointment at the forthcoming AGM.

The Group has appointed different auditors for its overseas subsidiaries and associated companies as well as Singapore incorporated 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.

In appointing the audit firms for the Group, the AC is satisfied that the Company has complied with the Listing Rules 712, 715 and 716 of the Listing Manual.

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 suspicion is brought to its attention.

During the financial year, there was no material whistle-blowing report received by the AC regarding the abovementioned concerns.

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 AUDIT
(Code of Corporate Governance Principle 13)

KPMG Services Pte Ltd has been appointed as the Company's internal auditor for the purposes of reviewing the effectiveness of the Company's material internal controls. KPMG Services Pte Ltd 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.

SHAREHOLDER RIGHT AND RESPONSIBILITIES
(Code of Corporate Governance Principles 10, 14, 15 and 16)

The Company recognises the importance of providing the Board with a continual flow of relevant information on an accurate and timely basis in order that it may effectively discharge its duties.

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 Chairman of the Audit, Remuneration and Nominating Committees are normally available at the meeting. The external auditors are also present to assist the Directors in addressing any relevant queries by shareholders. The Company ensures that there are separate resolutions at general meetings on each distinct issue.

The Company is committed to disclose as much relevant information as possible to shareholders in a timely basis through SGXNet and other information channels, including a well-maintained and update corporate website – http://www.hiapseng.com in which contain various investor-related information on the Company which serves as an important resource for investors.

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 Company has yet to conduct the voting of all its resolutions by poll at all its AGM and Extraordinary General Meetings ("EGMs"). The Company will consider employing electronic polling in future.

The Company will review its Articles of Association from time to time and make such amendments to the Articles and Association to be in line with the applicable requirements or rules and regulations governing the continuing listing obligation in the SGX-ST Listing Rules.

Resolutions at general meeting are on each substantially separate issue. All the resolutions at the general meetings are single item resolution.

The Company will prepare the detailed Shareholders' Meeting minutes, which include comments and the questions received from shareholders, if available. The Company will be pleased to make these minutes available to shareholders upon their request.

When the opportunities arise, the CEO and Executive Directors will solicit and try to understand the views of the shareholders before and/or after General Meetings of the Company.

The Company does not have a policy on payment of dividends at present. The Company declared an interim dividend of S$0.005 per ordinary share during the financial year FY2014.

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

The Board has appointed KPMG Services Pte Ltd in FY2013 to perform an exercise to facilitate its review of the Company's existing risk management processes, including processes for identification and assessment of business risks and the appropriate measures taken to mitigate these risks. The Enterprise Risk Assessment has been completed and the results of the exercise have been brought to the attention of the AC and Directors.

The Management regularly reviews the Group's business and operational activities to identify areas of potential business risk as well as appropriate measures to control and mitigate these risks. The Management reviews all significant control procedures and will highlight any significant potential matters to the AC and the Board.

The Board has received assurance from the CEO and the Chief Financial Officer at the Board Meeting held on 26 May 2014 that the Group's risk management and internal control systems in place is adequate and effective in addressing the material risks in the Group in its current business environment including material financial operational, compliance and information technology risks and also that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's business operations and finances.

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 on short-term considerations and 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 2014.

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.

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 companies, TNL Corporate Services Pte Ltd and TNL Corp-Sec 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 Executive Chairman of Pavillon Holdings Ltd, 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. 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 Smartt Papers International Pte Ltd and Quadstone Energy Ltd. He also serve as a Board Member of the PUB.

INFORMATION ON DIRECTORS

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 School of Management. 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, Mergers and Acquisitions and Banking. He is the 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.

Tan Yew Kun
Director of Plant Maintenance

Mr Tan Yew Kun joined the Group in 1972. He 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
Director of Projects

Mr Tan Yaw Song joined the Group in 1988. He oversees the Group's project operations and management. He has more than 25 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 subsidiaries, NASCO–Hiap Seng Engineering Co. Ltd. and Hiap Seng Engineering (M) Sdn Bhd.

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 over 30 years of working experience in accounting, financial and corporate matters. He is a member of the Institute of Singapore Chartered Accountants.

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 25 years of working experience in the utilities and energy industries in Singapore and other parts of Asia.

Tan Puay Chye Leon
Vice-President

Mr Tan Puay Chye Leon joined the Group in 2007. As a Vice-President of HS Compression & Process Pte Ltd, a subsidiary of the Company, he is in charge of the Group's gas compression and process business. Mr Tan graduated from the University of Birmingham in 2003 with a Bachelor Degree in Mechanical Engineering with 1st Class Honour followed by a Master Degree in Construction Management in 2004. He has about 10 years of working experience in the oil-and-gas industry.

STATISTICS OF SHAREHOLDINGS

As at 18 June 2014

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 SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Holders	No. of Shares	% of Shares
1 – 999	261	5.02	40,058	0.01
1,000 – 10,000	2,640	50.79	15,461,251	5.09
10,001 – 1,000,000	2,275	43.77	123,311,097	40.60
1,000,001 and above	22	0.42	164,937,594	54.30
	5,198	100.00	303,750,000	100.00

LIST OF 20 LARGEST SHAREHOLDERS

	Shareholder's 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	LEE SEE KEE	7,292,614	2.40
4	GOO GUIK BING @ GOH GUIK BING	7,086,440	2.33
5	GUI BOON PIEN	6,200,000	2.04
6	DBS NOMINEES (PRIVATE) LTD	5,537,747	1.82
7	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	4,781,310	1.57
8	SZE CHAIN FAI @ SZE SOOK SENG	4,102,251	1.35
9	UOB KAY HIAN PRIVATE LIMITED	3,431,090	1.13
10	TAN AH LAM	3,319,500	1.09
11	TAN LIAN CHEW	3,080,761	1.01
12	OCBC SECURITIES PRIVATE LTD	2,659,800	0.88
13	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,552,000	0.84
14	PHILLIP SECURITIES PTE LTD	2,439,000	0.80
15	CITIBANK NOMINEES SINGAPORE PTE LTD	2,276,777	0.75
16	MAYBANK KIM ENG SECURITIES PTE LTD	1,725,200	0.57
17	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,648,090	0.54
18	ANG LIAN HIN	1,306,000	0.43
19	STUART GEORGE MONTGOMERY	1,300,000	0.43
20	LIM KIAT	1,250,000	0.41
	TOTAL:	**162,715,594**	**53.55**

As at 18 June 2014

SUBSTANTIAL SHAREHOLDERS
(as recorded in the Register of Substantial Shareholders) as at 18 June 2014

	No. of Ordinary Shares			
Name	**Direct Interest**	**%**	**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 18 June 2014, approximately 62.21% 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 Conference Room, 28 Tuas Crescent, Singapore 638719 on Tuesday, 29 July 2014 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 2014 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect Mr Tan Leau Kuee @ Tan Chow Kuee as a director retiring pursuant to Article 91 of the Company's Articles of Association. (See Explanatory Note 1) **(Resolution 2)**

3. To approve the payment of Directors' fees of S$214,000 for the financial year ended 31 March 2014 (2013: S$216,000). **(Resolution 3)**

4. To re-appoint Messrs PricewaterhouseCoopers LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 4)**

5. 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 Ordinary Resolutions, with or without any modifications:

6. Re-appointment of director under Section 153(6) of the Companies Act, Cap. 50

   That pursuant to Section 153(6) of the Companies Act, Cap. 50, the following Directors be re-appointed as Directors of the Company to hold office until the next annual general meeting of the Company: -

   (a) Mr Tan Lian Chew **(Resolution 5)**
   (b) Mr Koh Kim Wah **(Resolution 6)**
   (c) Mr Tan Ah Lam **(Resolution 7)**

   (See Explanatory Note 1)

7. Authority to allot and issue shares – Ordinary Resolution

   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 ("SGX-ST"), authority be and is hereby given to the Directors of the Company to:-

   (A) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(B) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, provided that:

(a) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent. (50%) of the Company's total number of issued shares excluding treasury shares (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent. (20%) of the Company's total number of issued shares excluding treasury shares (as calculated in accordance with sub-paragraph (2) below). Unless prior shareholder approval is required under the Listing Manual of the SGX-ST, an issue of treasury shares will not require further shareholder approval, and will not be included in the aforementioned limits.

(b) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares excluding treasury shares is based on the Company's total number of issued shares excluding treasury shares at the time this Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of shares;

(c) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(d) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of 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. **(Resolution 8)**

(See Explanatory Note 2)

By Order of the Board

Tan Hak Jin
Low Siew Tian
Joint Company Secretaries

Singapore, 14 July 2014

Explanatory Note:

1. (a) The detailed information of Mr Tan Lian Chew, Mr Koh Kim Wah and Mr Tan Ah Lam can be found in page 91 of the Annual Report. Mr Tan Ah Lam and Mr Tan Leau Kuee @Tan Chow Kuee are brothers.

   (b) The relationship of Mr Tan Ah Lam and Mr Tan Leau Kuee @Tan Chow Kuee with the Company's 10% shareholders can be found under section entitled 'Statistics of shareholding' in page 95 of the Annual report.

   (c) Save for the above, there is no relationship (including immediate family relationships) between the abovementioned Directors and the other Directors of the Company.

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

   (e) Mr Tan Ah Lam will, upon re-appointment as a director of the Company, remain as the Executive Chairman, CEO and a member of Nominating Committee.

2. The Ordinary Resolution no. 8 proposed in item 7 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 Company's total number of issued shares excluding treasury shares 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 Company's total number of issued shares excluding treasury shares 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 earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue shares pursuant to any Instrument made or granted 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.

HIAP SENG ENGINEERING LTD

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

IMPORTANT: FOR CPF INVESTOR ONLY

1. This Annual Report 2014 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.

ANNUAL GENERAL MEETING - PROXY FORM

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 Conference Room, 28 Tuas Crescent, Singapore 638719 on Tuesday, 29 July 2014 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 2014 together with the Auditors' Report thereon.		
2.	Re-election of Mr Tan Leau Kuee @ Tan Chow Kuee as a director.		
3.	Approval of Directors' fees amounting to S$214,000.		
4.	Re-appointment of Messrs PricewaterhouseCoopers LLP as Auditors.		
	Special Business		
5.	Re-appointment of Mr Tan Lian Chew as a director.		
6.	Re-appointment of Mr Koh Kim Wah as a director.		
7.	Re-appointment of Mr Tan Ah Lam as a director.		
8.	Authority to issue shares.		

If you wish to use your votes "For" or "Against", please indicate an "X" within the box provided.

Dated this ________ day of ______________ 2014

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
Co. Reg. No.: 197100300Z

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4 Benoi Place, Singapore 629925

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Website: www.hiapseng.com