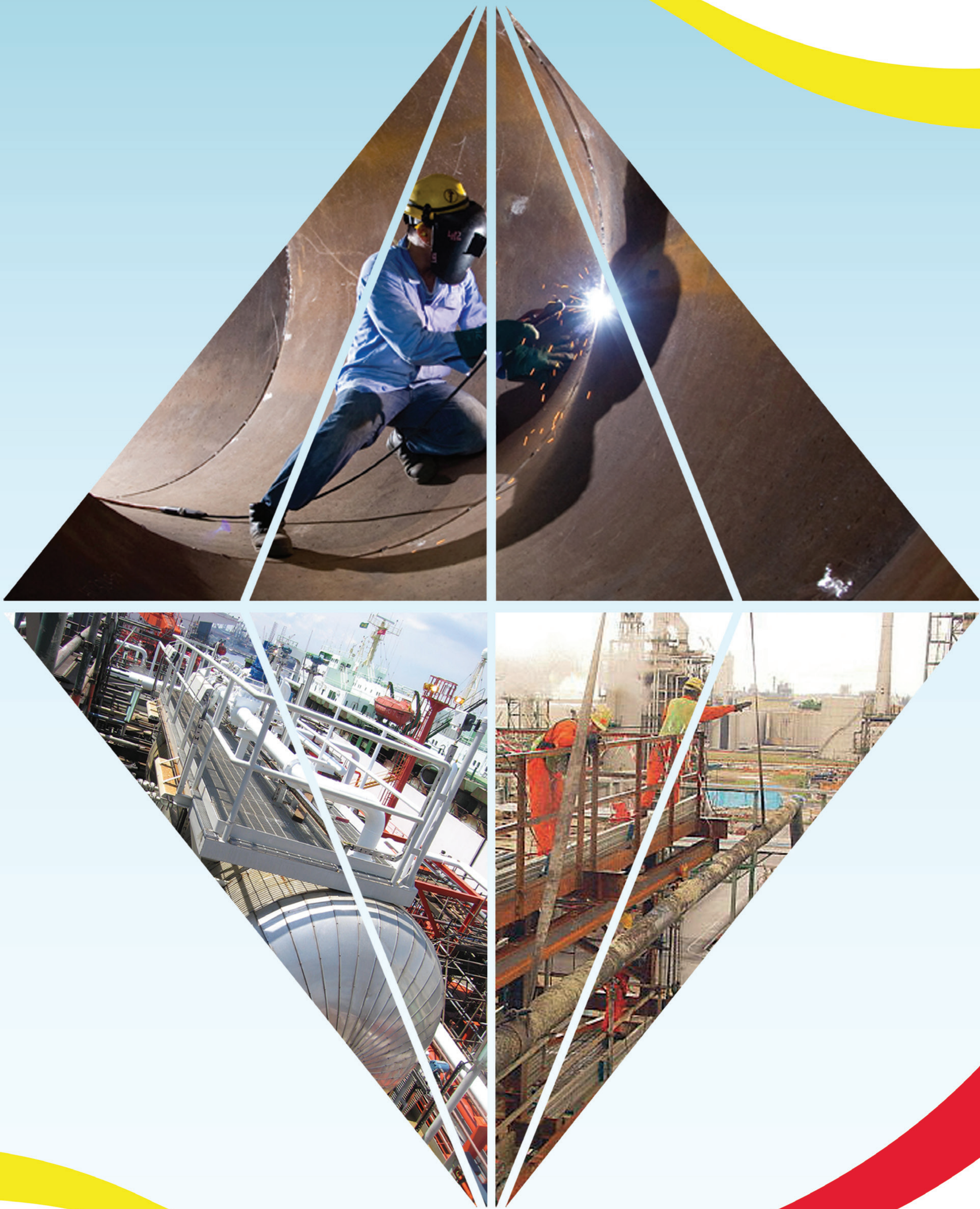
Dedicated to Excellence

Annual Report 2013



Hiap Seng Engineering Ltd

OUR VISION

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

OUR MISSION

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

OUR CORE VALUE

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

CONTENTS

WHAT
WE DO

Plant Maintenence

Oil-and-Gas, Chemical & Utility Plant Maintenance

EPC

Process Equipment, Gas Compressors, FPSO Topsides & Tankfarms

Construction

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

About the Group

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

Chairman's

Statement

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

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 2013 ("FY2013").

Our Performance

Despite the challenging operating environment with rising labour costs, as well as pricing pressure from both existing and new competitors, the Group's revenue for FY2013 increased by 41.7% to S$237.4 million from S$167.5 million for the previous corresponding financial year ("FY2012"). The increase was mainly due to higher recognition of project revenue and contributions from the Group's two new subsidiaries in Thailand and Malaysia. The net profit attributable to shareholders increased from S$4.3 million to S$7.5 million primarily due to the gain on equity interest of S$3.8 million arising from the step acquisition of a Thai subsidiary.

Due to improved performance, Return on Equity and Return on Assets have both increased to 9.6% and 4.8% in FY2013 respectively from 5.8% and 3.6% in FY2012.

Business Review

In FY2013, we are pleased to have successfully completed major works for Tembusu WWTP BOP, Lanxess Butyl Rubber Plant and Shell Eastern Petrolum (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. We have also completed works in Malaysia for the TMP-1 project by one of our Malaysian subsidiaries, Hiap Seng Engineering (M) Sdn Bhd, and piping prefabrication works in Thailand for the TMP-2 project by our Thai Subsidiary, Nasco-Hiap Seng Engineering Co Ltd. Both projects were secured from Chiyoda Sarawak Sdn. Bhd. for a polycrystalline silicon plant in Sarawak, Malaysia.

In addition, as a result of Nasco-Hiap Seng Engineering Co Ltd's investment in workshops, the Thai subsidiary received a Promotion Certificate from the Board of Investment office in Thailand, allowing it a 5-year corporate income tax exemption. The certificate also allows our customers to be exempted from import tax and duty when they import materials and machinery to Thailand on a project basis.

We will continue to deliver efficient and reliable quality products and services to our customers, focus on our core competencies and 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. This is achieved by our prudent working capital management and excellent project execution. We remain committed to safety, quality and timely delivery.

Looking ahead

In spite of the challenging operating environment, we have a strong order book that includes piping and installation works for the TMP-2 project. 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.

The Group's strategic alliances established with Petrovietnam Energy Technological Corporation in Vietnam, Offshore Oil Engineering Company Ltd and COSCO (Shanghai) Shipyard Co Ltd in China and KUB Builders in Malaysia will further enhance our business in these markets.

An extensive upgrade to Singapore's petrochemical hub on Jurong Island will likely generate significant business opportunities for us. However, we see more challenging times ahead. Rising labour costs and intensifying competition have put increased pressure on pricing. We will continue to control costs and take steps to improve productivity. With our strong financial position and established track record, we will leverage on our experience and business network, and continue to explore new business opportunities in Singapore and beyond to enhance shareholder value.

Dividends

To reward loyal shareholders, the Board is recommending a one-tier tax exempt final dividend of 0.5 cent per share which is subject to shareholders' approval at the Annual General Meeting to be held on 30 July 2013 and is expected to be paid on 28 August 2013.

Together with the interim dividend of 0.5 cent per share paid on 18 January 2013, the total dividend payout for FY2013 is 1.0 cent per share amounting to S$3.0 million. This represents approximately 40% of our earnings for the year. Based on the share price of 32.5 cents on 31 March 2013, the payout translates to a dividend yield of about 3%.

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 and shareholders for their support and confidence in us over the years. My heartfelt appreciation also goes to our dedicated management and staff for their passion, hard work and commitment to the Group. All of you have contributed greatly to the Group in this challenging period.

Tan Ah Lam, Frankie
Executive Chairman and Chief Executive Officer

Operations Review

Financial Review

In FY2013, the Group achieved a revenue of S$237.4 million, an increase of 41.7% from FY2012, mainly due to higher recognition of project revenue in FY2013 as well as contributions by the two new subsidiaries in Thailand and Malaysia. The gross profit increased marginally by 1.5%, from S$25.1 million to S$25.4 million, mainly due to cost increases in labour and materials.

Net profit attributable to shareholders for FY2013 increased by 76.1% to S$7.5 million, as compared to S$4.3 million in FY2012, mainly due to the gain on equity interest of S$3.8 million arising from the step acquisition of a Thai subsidiary.

Segmental Contributions

The Group's Plant Construction and Maintenance segment, which comprises about 86.3% of total revenue, achieved an increase in revenue of 36.3% to S$205.0 million in FY2013, from S$150.4 million in FY2012. This increase was mainly due to the completion of several major projects during FY2013, as well as contributions by the two new subsidiaries in Thailand and Malaysia.

The Group's Compression and Process Equipment Fabrication segment, which makes up the remaining 13.7% of total revenue, also recorded a 90.8% increase in revenue to S$32.4 million, from S$17.0 million in FY2012, mainly due to the completion of several major projects during FY2013. However, the loss before tax for this segment increased from S$0.5 million for FY2012 to S$3.8 million for FY2013, mainly due to high operating costs.

Geographically, the Group's Singapore segment, which accounted for 54.8% of total Group revenue, saw a 0.8% increase in revenue to S$130.1 million in FY2013, compared to S$129.2 million in FY2012.

The remaining 45.2% or S$107.3 million was contributed by other geographical segments, which saw a 180.2% increase in revenue to S$107.3 million in FY2013, compared to S$38.3 million in FY2012. Revenue from the Group's operations in Malaysia increased from S$10.5 million to S$49.8 million, mainly due to the contributions by the new subsidiary in Malaysia during FY2013. Revenue from the Group's Thailand operations was S$20.9 million for FY2013, which was derived mainly from contributions by the new subsidiary in the country.

Strong Financial Position

The Group remains in a strong financial position. Group shareholders' funds increased by S$4.5 million or 6%, from S$73.6 million or S$0.24 per share as at 31 March 2012 to S$78.1 million or S$0.26 per share as at 31 March 2013.

The Group's current assets increased to S$123.4 million as at 31 March 2013, from S$109.7 million as at 31 March 2012. The increase of S$8.7 million in trade and other receivables as at 31 March 2013 is mainly due to increased project activities as well as the inclusion of two new subsidiaries in Thailand and Malaysia. The increase of S$15.0 million in contract work-in-progress as at 31 March 2013 was in line with the project completion schedules. The increase of S$31.2 million in trade and other payables as at 31 March 2013 is mainly due to increased project activities as well as the inclusion of two new subsidiaries in Thailand and Malaysia.

The increase of S$15.0 million in property, plant and equipment as at 31 March 2013 is mainly due to the inclusion of the new subsidiary in Thailand.

The intangible assets amounting to S$7.0 million as at 31 March 2013 represent customer contracts, customer relationships and goodwill arising on consolidation on the step acquisition of the Thai subsidiary on 3 May 2012. The fair value of these intangible assets has been determined based on the final valuation reports from the independent valuers.

As at 31 March 2013, the Group's cash and cash equivalents stood at S$18.7 million, as compared to S$30.2 million as at 31 March 2012. The decrease of S$11.5 million was mainly due to the increases in working capital as well as property, plant and equipment.

Business Review and Outlook

The outlook for the oil-and-gas and petrochemical industries which the Group serves still remains positive. However, in view of keen competition and rising labour costs, the Directors of the Company are cautiously optimistic about the Group's performance for the current financial year ending 31 March 2014.

The Group will continue to control costs and improve productivity. With a strong financial position and established track record, it will continue to explore new business opportunities in Singapore and beyond to enhance shareholder value.

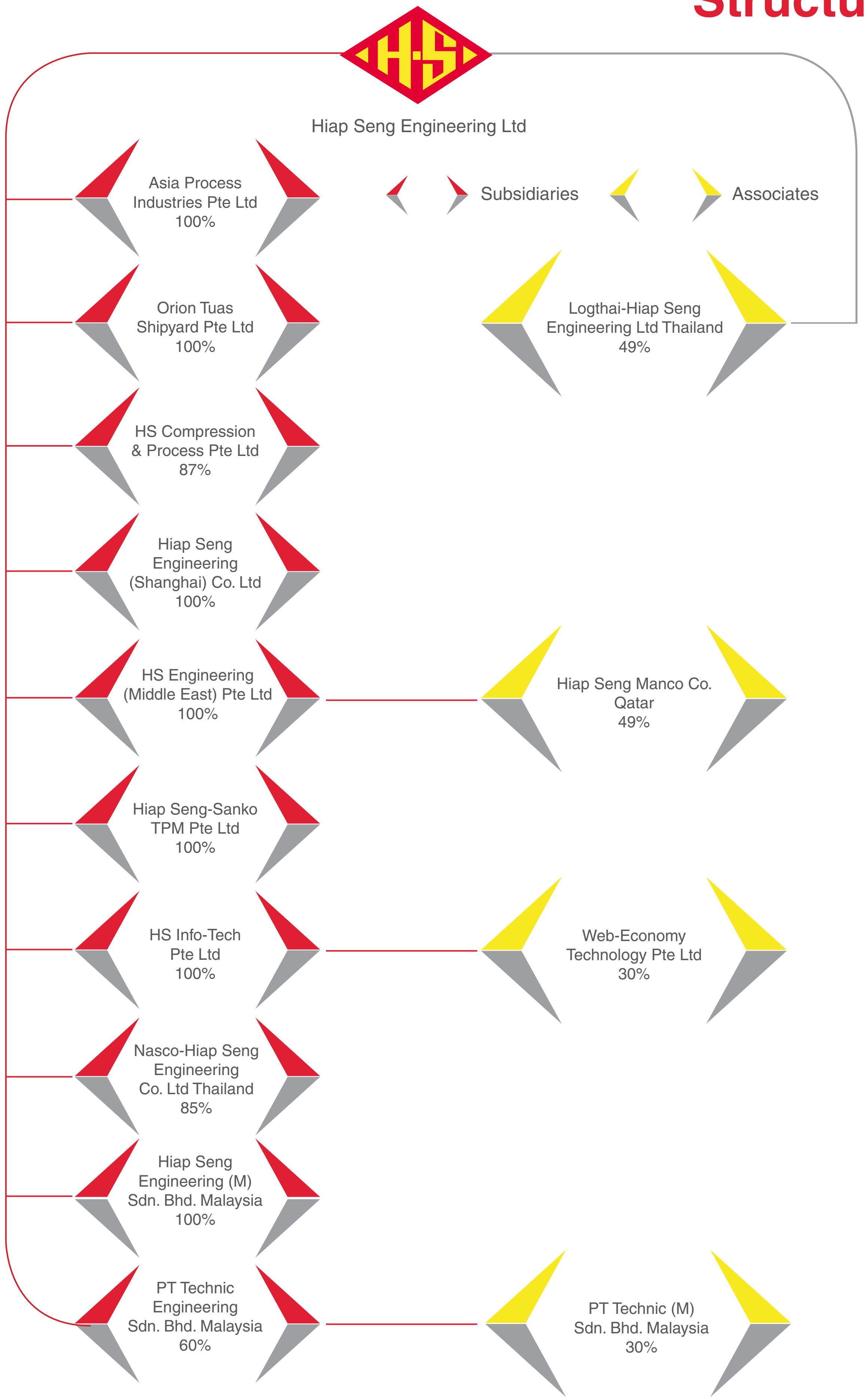
The order book amounted to about S$256 million as at 23 May 2013, a substantial portion of which is expected to be recognized as revenue in FY2014. Together with the incoming projects, plant maintenance works for the oil-and-gas and petrochemical customers, the Group is cautiously optimistic about its current financial year performance.

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

LEADING WITH EXPERTISE

Over the years, we have been building on our capabilities in the field. We take pride in our consistent strong financial results and success at securing large-scale project contracts as these further reinforce our position that we are recognised as one of the leading integrated services providers of mechanical engineering, plant fabrication and installation and plant maintenance to the oil-and-gas, petrochemical and pharmaceutical industries in Singapore, Asia Pacific and other regions.

Group Structure



Board of
Directors

Tan Ah Lam, Frankie
Executive Chairman and Chief Executive Officer

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

Tan Lian Chew
Executive Director (Finance)

Dr John Chen Seow Phun
Independent Director

Koh Kim Wah
Independent Director

M. Rajaram
Independent Director

Corporate Information

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

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

Tan Lian Chew
Executive Director (Finance)

Dr John Chen Seow Phun
Independent Director

Koh Kim Wah
Independent Director

M. Rajaram
Independent Director

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

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

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

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

Investor Relations
Citigate Dewe Rogerson i.MAGE Pte Ltd
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

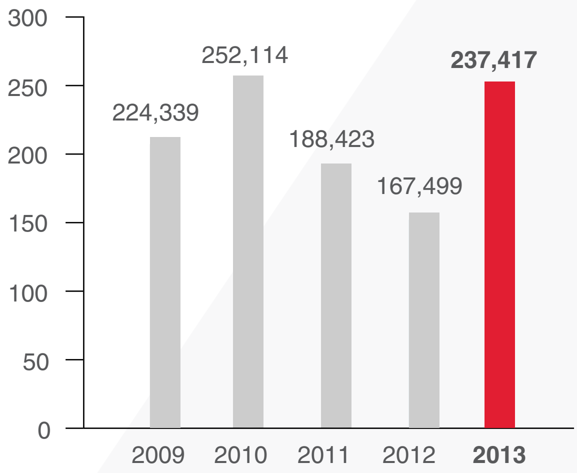
Principal Bankers
United Overseas Bank Limited
Standard Chartered Bank
DBS Bank Ltd
Oversea-Chinese Banking Corporation Limited
The Hong Kong and Shanghai Banking
Corporation Limited

Financial Highlights

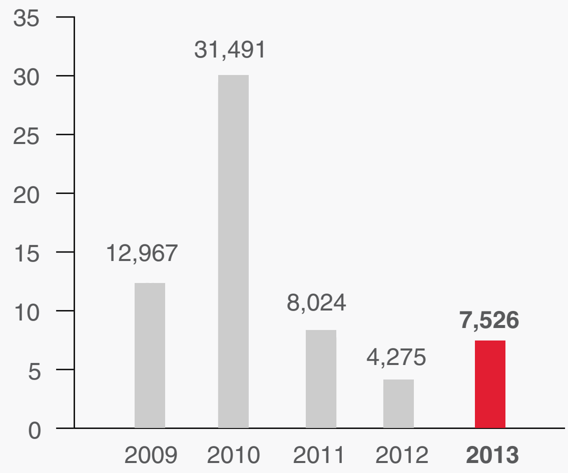
S$'000	FY2009	FY2010	FY2011	FY2012	FY2013
INCOME STATEMENT					
Revenue	224,339	252,114	188,423	167,499	**237,417**
Gross profit	34,028	55,415	25,563	25,068	**25,434**
Profit before tax	16,174	37,564	9,262	5,578	**6,866**
Profit attributable to shareholders	12,967	31,491	8,024	4,275	**7,526**
BALANCE SHEET					
Current assets	108,480	135,388	109,651	109,695	**123,387**
Non-current assets	15,218	14,598	12,230	10,265	**34,745**
Total assets	123,698	149,986	121,881	119,960	**158,132**
Current liabilities	64,820	67,614	44,043	43,947	**75,588**
Non-current liabilities	1,360	1,090	709	602	**2,852**
Total liabilities	66,180	68,704	44,752	44,549	**78,440**
Net assets	57,518	81,282	77,129	75,411	**79,692**
SHAREHOLDERS' EQUITY					
Share capital	36,178	36,178	36,178	36,178	**36,178**
Reserves	81	(35)	(122)	(31)	**(70)**
Retained profits	19,504	43,401	39,275	37,475	**41,963**
Shareholders' equity	55,763	79,544	75,331	73,622	**78,071**
Minority interests	1,755	1,738	1,798	1,789	**1,621**
Total equity	57,518	81,282	77,129	75,411	**79,692**
FINANCIAL RATIOS					
Gross profit margin	15.2%	22.0%	13.6%	15.0%	**10.7%**
Net profit margin	5.8%	12.5%	4.3%	2.5%	**3.2%**
Return on equity	23.3%	39.6%	10.7%	5.8%	**9.6%**
Return on assets	10.5%	21.0%	6.6%	3.6%	**4.8%**
PER SHARE DATA					
Earnings (cents)	4.3	10.4	2.6	1.4	**2.5**
Net asset value (cents)	18.4	26.2	24.8	24.2	**25.7**
Dividends (cents)	2.0	4.0	2.0	1.5	**1.0**

Financial Highlights

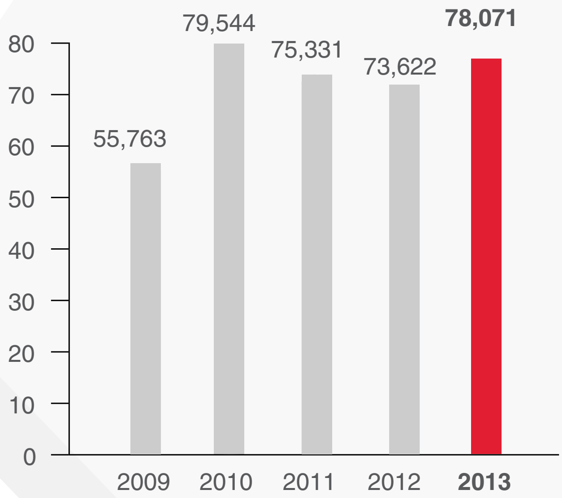
Revenue



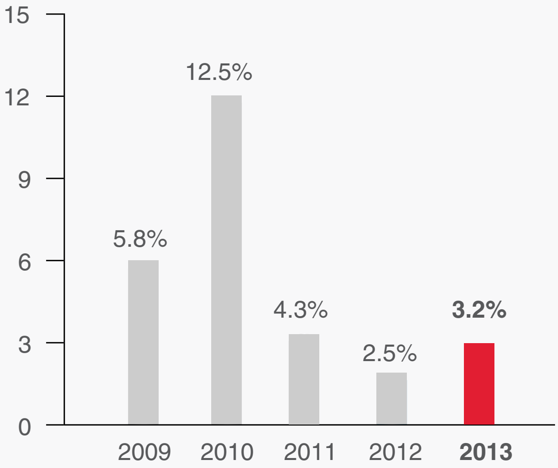
Profit Attributable to Shareholders



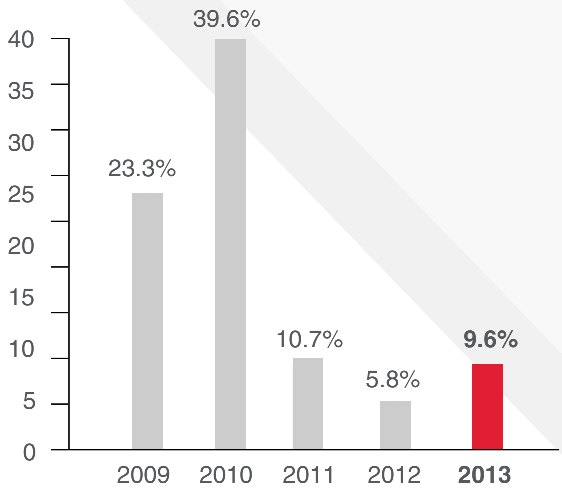
Shareholders' Equity



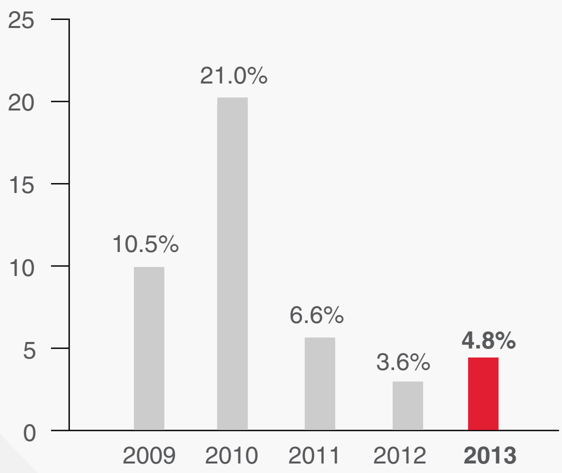
Net Profit Margin



Return on Equity



Return on Assets



ENHANCING SHAREHOLDER VALUE

Committed to providing efficient, reliable and quality products and services to our customers, we also embrace workplace safety as one of our core values, advocating the culture of safety in our facilities and sites. We believe it is through our unwavering efforts in administering this two-pronged approach that we can improve productivity and grow our business. We will continue to explore new business opportunities in both Singapore and around the region to enhance shareholder value.

Financial
Contents

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 March 2013 and the balance sheet of the Company at 31 March 2013.

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 31.3.2013	At 1.4.2012	**At 31.3.2013**	At 1.4.2012
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 31.3.2013	At 1.4.2012
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**	–

(c) The directors' interests in the ordinary shares of the Company as at 21 April 2013 were the same as those as at 31 March 2013.

Directors' contractual benefits

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

Share options

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

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

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

Audit Committee

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

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

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

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

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

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

(d) review the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 March 2013 before their submission to the Board of Directors, as well as the independent auditor's report on the balance sheet of the Company and the consolidated financial statements of the Group; and

(e) review interested person transactions; if any.

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

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

Independent auditor

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

On behalf of the directors

TAN AH LAM
Director

TAN LEAU KUEE @ TAN CHOW KUEE
Director

5 July 2013

statement by directors

For the financial year ended 31 March 2013

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 73 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 2013 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

5 July 2013

independent auditor's report

To the members of Hiap Seng Engineering Ltd

We have audited the accompanying financial statements of Hiap Seng Engineering Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 19 to 73, which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 March 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; 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 2013, 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, 5 July 2013

consolidated statement of
comprehensive income

For the financial year ended 31 March 2013

	Note	Group 2013 $'000	Group 2012 $'000
Revenue	4	**237,417**	167,499
Cost of services rendered	5	**(211,983)**	(142,431)
Gross profit		**25,434**	25,068
Other income	7	**98**	551
Other gains - net	7	**3,815**	268
Expenses			
- Administrative	5	**(21,768)**	(18,028)
- Finance	8	**(299)**	(108)
		7,280	7,751
Share of losses of associated companies	16	**(414)**	(2,173)
Profit before income tax		**6,866**	5,578
Income tax credit/(expense)	9	**265**	(1,312)
Net profit		**7,131**	4,266
Other comprehensive (loss)/income:			
Currency translation differences arising from consolidation			
- (Loss)/gain		**(69)**	91
Other comprehensive (loss)/income, net of tax		**(69)**	91
Total comprehensive income		**7,062**	4,357
Profit attributable to:			
Equity holders of the Company		**7,526**	4,275
Non-controlling interests		**(395)**	(9)
		7,131	4,266
Total comprehensive income attributable to:			
Equity holders of the Company		**7,487**	4,366
Non-controlling interests		**(425)**	(9)
		7,062	4,357
Earnings per share attributable to equity holders of the Company (expressed in cents per share)			
Basic and diluted	10	**2.48**	1.41

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

balance sheets

As at 31 March 2013

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
ASSETS					
Current assets					
Cash and cash equivalents	11	**18,743**	30,239	**7,774**	24,458
Income tax recoverable	9	**681**	–	**681**	–
Trade and other receivables	12	**80,870**	72,147	**73,520**	57,713
Construction contract work-in-progress	13	**20,869**	5,846	**9,074**	4,997
Other current assets	14	**2,224**	1,463	**1,024**	1,054
		123,387	109,695	**92,073**	88,222
Non-current assets					
Other receivables	15	**616**	–	**–**	–
Investments in associated companies	16	**419**	1,006	**109**	509
Investments in subsidiaries	17	**–**	–	**14,856**	8,562
Investment property	18	**–**	–	**–**	–
Property, plant and equipment	19	**23,861**	8,896	**6,778**	7,689
Intangible assets	20	**7,004**	–	**–**	–
Available-for-sale financial assets	21	**2,482**	–	**2,482**	–
Club memberships	22	**363**	363	**298**	298
		34,745	10,265	**24,523**	17,058
Total assets		**158,132**	119,960	**116,596**	105,280
LIABILITIES					
Current liabilities					
Trade and other payables	23	**72,263**	41,020	**45,287**	35,909
Current income tax liabilities	9	**347**	1,204	**–**	754
Borrowings	24	**2,978**	1,723	**–**	–
		75,588	43,947	**45,287**	36,663
Non-current liabilities					
Borrowings	24	**1,293**	86	**–**	–
Deferred income tax liabilities	26	**1,559**	516	**458**	569
		2,852	602	**458**	569
Total liabilities		**78,440**	44,549	**45,745**	37,232
NET ASSETS		**79,692**	75,411	**70,851**	68,048
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	**(70)**	(31)	**–**	–
Retained profits	29	**41,963**	37,475	**34,673**	31,870
		78,071	73,622	**70,851**	68,048
Non-controlling interests		**1,621**	1,789	**–**	–
Total equity		**79,692**	75,411	**70,851**	68,048

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

consolidated statement of
changes in equity

For the financial year ended 31 March 2013

	Note	Share capital $'000	Other reserves $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
		Attributable to equity holders of the Company					
2013							
Beginning of financial year		**36,178**	**(31)**	**37,475**	**73,622**	**1,789**	**75,411**
Total comprehensive income for the year		–	(39)	7,526	7,487	(425)	7,062
Acquisition of a subsidiary	36	–	–	–	–	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**
2012							
Beginning of financial year		36,178	(122)	39,275	75,331	1,798	77,129
Total comprehensive income for the year		–	91	4,275	4,366	(9)	4,357
Dividends paid	30	–	–	(6,075)	(6,075)	–	(6,075)
End of financial year		**36,178**	**(31)**	**37,475**	**73,622**	**1,789**	**75,411**

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

consolidated statement of
cash flows

For the financial year ended 31 March 2013

	Note	2013 $'000	2012 $'000
Cash flows from operating activities			
Net profit		**7,131**	4,266
Adjustments for:			
- Income tax (credit)/expense		**(265)**	1,312
- Allowance for impairment of receivables		**117**	556
- Depreciation		**3,306**	2,535
- Net gain on disposal of property, plant and equipment		**(278)**	(125)
- Unrealised currency translation (gain)/loss		**(595)**	36
- Interest expense		**299**	108
- Interest income		**(98)**	(551)
- Amortisation of intangible assets		**295**	–
- Loss on disposal of associates		**187**	–
- Gain on measurement of previously held equity interest		**(3,776)**	–
- Share of losses from associated companies		**414**	2,173
		6,737	10,310
Change in working capital			
- Inventories and construction contract work-in-progress		**(14,062)**	(3,726)
- Trade and other receivables		**(10,536)**	(9,500)
- Other current assets		**(1,220)**	(733)
- Trade and other payables		**22,098**	(1,531)
Cash generated from/(used in) operations		**3,017**	(5,180)
Income tax paid - net		**(1,384)**	(1,554)
Net cash provided by/(used in) operating activities		**1,633**	(6,734)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**840**	130
Purchases of property, plant and equipment		**(7,834)**	(1,724)
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)**	–
Interest received		**98**	551
Net cash used in investing activities		**(9,772)**	(1,043)
Cash flows from financing activities			
Dividends paid to equity holders of the Company		**(3,038)**	(6,075)
Increase in fixed deposits pledged		**(575)**	(47)
Proceeds/(repayment) of lease liabilities		**28**	(138)
Interest paid		**(299)**	(108)
Trust receipt creditors		**31**	–
Repayment of bank loans		**(508)**	–
Net cash used in financing activities		**(4,361)**	(6,368)
Net (decrease) in cash and cash equivalents		**(12,500)**	(14,145)
Cash and cash equivalents at beginning of financial year		**27,910**	42,046
Effects of currency translation on cash and cash equivalents		**3**	9
Cash and cash equivalents at end of financial year	11	**15,413**	27,910

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 39 to the financial statements.

2. Significant accounting policies

2.1 Basis of preparation

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

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

Interpretations and amendments to published standards effective in 2012

On 1 April 2012, 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 the Group's and Company's accounting policies 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.

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

(a) Rendering of services

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

2. Significant accounting policies (continued)

2.2 Revenue recognition (continued)

(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.

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.

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(a) *Subsidiaries* (continued)

(ii) *Acquisition of businesses*

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

(iii) *Disposals of subsidiaries or businesses*

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

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

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

(b) *Transactions with non-controlling interests*

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

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(c) *Associated companies*

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

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

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

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

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

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

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

2. Significant accounting policies (continued)

2.4 Property, plant and equipment

(a) *Measurement*

(i) Land and buildings

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

(ii) Other property, plant and equipment

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

(iii) Components of costs

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

(b) *Depreciation*

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

	Useful lives
Buildings	10 - 30 years
Motor vehicles	4 – 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. Significant accounting policies (continued)

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 consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the net identifiable assets acquired.

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 net identifiable assets acquired.

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

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

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.

2. Significant accounting policies (continued)

2.6 Contract to construct specialised equipment ("Construction contracts") (continued)

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

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

2.7 Investment property

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

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

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 investments in subsidiaries and associated companies, the difference between disposal proceeds and the carrying amounts of the investments is recognised in profit or loss.

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

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

2.10 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 maturing later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "cash and cash equivalents" and "trade and other receivables" except for non-current interest-free receivables from subsidiaries which are considered to be part of the Company's net investment in the subsidiaries have been accounted for in accordance with Note 2.8.

(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.

2. Significant accounting policies (continued)

2.10 Financial assets (continued)

(b) *Recognition and derecognition*

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

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

(c) *Measurement*

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

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

(d) *Impairment*

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

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

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

2. Significant accounting policies (continued)

2.10 Financial assets (continued)

(d) *Impairment* (continued)

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

Significant or prolonged decline in fair value below cost and significant financial difficulties of the issuer are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from other comprehensive income and recognised in the income statement. Reversals of impairment losses in respect of equity instruments are not recognised in the income statement.

2.11 Financial guarantees

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

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

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

Intragroup transactions are eliminated on consolidation.

2.12 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.

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.

2.13 Trade and other payables

Trade and other payables represent unpaid liabilities for goods and services provided to the Group prior to the end of the financial year. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

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

2. Significant accounting policies (continued)

2.14 Fair value estimation of financial assets and liabilities

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

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

2.15 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 - where the Group is a leasee*

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

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

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

(b) *Operating leases - where the Group is a leasee*

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

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

2.16 Income taxes

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

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

2. Significant accounting policies (continued)

2.16 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.

2.17 Provisions

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

2.18 Employee compensation

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

(a) Defined contribution plans

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

(b) Employee leave entitlement

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

2. Significant accounting policies (continued)

2.19 Currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

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

(c) *Translation of Group entities' financial statements*

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

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

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

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

2.20 Segment reporting

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

2. Significant accounting policies (continued)

2.21 Cash and cash equivalents

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

2.22 Share capital

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

2.23 Dividends to Company's shareholders

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

2.24 Government grants

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

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

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

3. Critical accounting estimates, assumptions and judgements

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

(a) Construction contracts

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

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

If the estimated revenue on contracts that are work-in-progress increases/decreases by 10% from management's estimates, the Group's revenue and profit will increase/decrease by $15,234,000 (2012: $7,592,000) and $613,000 (2012: $927,000) respectively.

If the estimated contract costs on contracts that are work-in-progress increases/decreases by 10% from management's estimates, the Group's profit will decrease/increase by $14,514,000 (2012: $6,476,000).

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

(b) *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 makes judgement as to whether there is observable data indicating that there has been a significant change 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 makes judgements as to whether an impairment loss should be recorded as an expense. In determining this, management uses 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	
	2013	2012
	$'000	$'000
Service revenue	**237,417**	167,162
Management fees	**–**	96
Facilities fees	**–**	241
Total revenue	**237,417**	167,499

5. Expenses by nature

	Group	
	2013	2012
	$'000	$'000
Sub-contractor charges	**108,623**	67,655
Structural materials and other related costs	**34,691**	21,877
Employee compensation (Note 6)	**62,018**	52,343
Rental on operating leases	**1,454**	1,332
Transportation & logistic expense	**15,885**	9,198
Professional fees	**340**	483
Directors' fees	**216**	217
Utilities expense	**1,245**	880
Amortisation of intangible assets	**295**	–
Depreciation of property, plant and equipment (Note 19)	**3,306**	2,535
Entertainment and travelling expenses	**750**	671
Computer and automation expense	**644**	605
Allowance made to impairment in trade and other receivables	**117**	556
Maintenance expense	**1,422**	663
Fees on audit services paid to:		
- Auditor of the Company	**195**	175
- Other auditors	**39**	12
Non-audit fees paid to:		
- Other auditors	**70**	190
Other expenses	**2,441**	1,067
Total cost of services rendered and administrative expenses	**233,751**	160,459

6. Employee compensation

	Group	
	2013	2012
	$'000	$'000
Wages and salaries	**59,783**	50,326
Government grant	**(128)**	–
Employer's contribution to defined contribution plans including Central Provident Fund	**2,363**	2,017
	62,018	52,343

7. Other income and other gains - net

	Group 2013 $'000	Group 2012 $'000
Interest income	**98**	551
Other gains - net		
- Currency exchange (loss)/gain - net	**(308)**	55
- Gain on disposal of property, plant and equipment	**278**	125
- Sundry gain	**256**	88
- Gain on measurement of previously held equity interest	**3,776**	–
- Loss from disposal of associates	**(187)**	–
	3,815	268
Total	**3,913**	819

8. Finance expenses

	Group 2013 $'000	Group 2012 $'000
Interest expense:		
- Bank loan	**123**	–
- Finance lease liabilities	**37**	8
- Bank overdrafts	**139**	95
- Trust receipt creditors	**–**	5
	299	108

9. Income taxes

(a) *Income tax (credit)/expense*

	Group 2013 $'000	Group 2012 $'000
Tax expense attributable to profit is made up of:		
Profit from current financial year:		
Current income tax		
- Singapore	**218**	1,167
- Foreign	**342**	134
	560	1,301
Deferred income tax (Note 26)	**(111)**	(136)
	449	1,165
(Over)/under provision in prior financial years:		
Current income tax	**(714)**	147
	(265)	1,312

9. Income taxes

(a) *Income tax (credit)/expense* (continued)

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

	Group	
	2013	2012
	$'000	$'000
Profit before tax	**6,866**	5,578
Share of loss of associated companies	**414**	2,173
Profit before tax and share of loss of associated companies	**7,280**	7,751
Tax calculated at a tax rate of 17% (2012: 17%)	**1,238**	1,318
Effects of:		
- Different tax rates in other countries	**70**	12
- Income not subject to tax	**(600)**	(205)
- Expenses not deductible for tax purposes	**269**	393
- Utilisation of previously unrecognised deferred tax assets	**(228)**	(62)
- Tax incentives	**(260)**	(289)
- Others	**(40)**	(2)
	449	1,165

(b) As at 31 March 2013, a Malaysian subsidiary has brought forward tax exempt income amounting to approximately RM2,461,000 (equivalent of S$987,107) [2012: RM2,461,000 (equivalent of S$1,010,000)]. 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 2013 is available for distribution by way of cash dividends without incurring additional tax liability.

(c) *Movements in current income tax (recoverable)/liabilities*

	Group		Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Beginning of the financial year	**1,204**	1,310	**754**	851
Income tax paid - net	**(1,384)**	(1,554)	**(794)**	(1,087)
Tax expense on profit for the current financial year	**560**	1,301	**70**	869
(Over)/under provision in prior financial years	**(714)**	147	**(711)**	121
End of the financial year	**(334)**	1,204	**(681)**	754

9. Income taxes (continued)

(c) *Movements in current income tax (recoverable)/liabilities* (continued)

	Group		Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Disclosed as follows:				
Current assets				
Income tax recoverable	**(681)**	–	**(681)**	–
Current liabilities				
Current income tax liabilities	**347**	1,204	**–**	754

10. Earnings per share

Basic earnings per share

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

	Group	
	2013	2012
Net profit attributable to equity holders of the Company ($'000)	**7,526**	4,275
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**303,750**	303,750
Basic earnings per share (cents per share)	**2.48**	1.41

The diluted earnings per share is the same as the basic earnings per share for the financial years ended 31 March 2013 and 31 March 2012 as the Group did not have any potential ordinary shares outstanding as at 31 March 2013 and 31 March 2012.

11. Cash and cash equivalents

	Group		Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**17,471**	24,604	**7,774**	19,458
Short-term bank deposits	**1,272**	5,635	**–**	5,000
	18,743	30,239	**7,774**	24,458

The Group has restricted bank deposits amounting to $1,209,000 (2012: $634,000) which are secured for banking facilities (Note 24).

11. Cash and cash equivalents (continued)

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

	Group	
	2013	2012
	$'000	$'000
Cash and bank balances (as above)	**18,743**	30,239
Less: Bank deposits pledged	**(1,209)**	(634)
Less: Bank overdrafts (Note 24)	**(2,121)**	(1,695)
Cash and cash equivalents per consolidated statement of cash flows	**15,413**	27,910

12. Trade and other receivables

	Group		Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Trade receivables:				
- Non-related parties	**48,733**	44,805	**21,997**	30,535
- Subsidiaries	**–**	–	**6,982**	754
- Associated companies	**202**	5,,772	**202**	5,370
	48,935	50,577	**29,181**	36,659
Less: Allowance for impairment of receivables				
- non-related parties	**(361)**	(538)	**–**	–
Trade receivables - net	**48,574**	50,039	**29,181**	36,659
Construction contracts:				
- Due from customers (Note 13)	**28,950**	16,527	**28,243**	14,769
- Retentions (Note 13)	**2,722**	1,011	**1,624**	857
	31,672	17,538	**29,867**	15,626
Other receivables	**238**	48	**49**	–
Loans to:				
- Subsidiaries [Note 34(c)]	**–**	–	**8,289**	929
- Associated companies [Note 34(d)]	**321**	3,971	**321**	3,971
Staff advances	**39**	58	**16**	13
Non-trade receivables:				
- Subsidiaries [Note 34(e)]	**–**	–	**5,771**	268
- An associated company [Note 34(f)]	**26**	493	**26**	247
	80,870	72,147	**73,520**	57,713

13. Construction contracts

	Group		Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Construction contract work-in-progress:				
Beginning of financial year	**5,846**	2,120	**4,997**	1,472
Acquisition of subsidiary (Note 36)	**961**	–	**–**	–
Contract costs incurred	**130,885**	33,682	**73,206**	31,138
Contract expenses recognised in profit or loss	**(116,823)**	(29,956)	**(69,129)**	(27,613)
End of financial year	**20,869**	5,846	**9,074**	4,997
Aggregate costs incurred and profits recognised (less losses recognised) to date on uncompleted construction contracts	**150,366**	74,832	**102,513**	61,180
Less: Progress billings	**(124,600)**	(59,035)	**(74,686)**	(46,881)
	25,766	15,797	**27,827**	14,299
Presented as:				
Due from customers on construction contracts (Note 12)	**28,950**	16,527	**28,243**	14,769
Due to customers on construction contracts (Note 23)	**(3,184)**	(730)	**(416)**	(470)
	25,766	15,797	**27,827**	14,299
Retentions on construction contracts (Note 12)	**2,722**	1,011	**1,624**	857

14. Other current assets

	Group		Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Deposits	**924**	756	**648**	699
Prepayments	**1,300**	707	**376**	355
	2,224	1,463	**1,024**	1,054

15. Other receivables - non-current

	Group	
	2013	2012
	$'000	$'000
Other receivables	**1,156**	246
Less: Allowance for impairment	**(540)**	(246)
	616	–

15. Other receivables - non-current (continued)

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

As at 31 March 2013, the Group had recognised an impairment charge of $540,000 (2012: $246,000) with regards to these receivables.

16. Investments in associated companies

	Group		Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Equity investments at cost			**109**	3,034
Less: Accumulated impairment losses			**–**	(2,525)
			109	509
Beginning of financial year	**1,006**	1,894		
Currency translation differences	**(11)**	57		
Additions	**475**	–		
Disposals	**(637)**	–		
Share of losses	**(414)**	(2,173)		
Less: Share of loss of an associated company in excess of cost, recognised as a provision (See (a) below)	**–**	1,678		
	(414)	(495)		
Dividend received	**–**	(450)		
End of financial year	**419**	1,006		

(a) In 2012, the Group had recognised its share of loss of an associated company in excess of its cost of investment as the Group has an obligation in respect of those losses. This is presented as provision for losses of an associated company under Note 23. During the financial year ended 31 March 2013, the Group increased its interest in this associated company resulting in it becoming a subsidiary (see Note 36).

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

	Group	
	2013	2012
	$'000	$'000
- Assets	**2,437**	14,601
- Liabilities	**1,307**	16,392
- Revenues	**2,977**	16,239
- Net loss	**(42)**	(1,542)
Contingent liabilities in which the Group is severally liable	**–**	5,204

Details of associated companies are provided in Note 39.

17. Investments in subsidiaries

	Company 2013 $'000	Company 2012 $'000
Equity investments at cost		
Beginning of financial year	**8,430**	8,133
Acquisitions	**6,442**	210
(Allowance for)/writeback of impairment losses	**(158)**	87
	14,714	8,430
Loan to a subsidiary	**142**	132
End of financial year	**14,856**	8,562

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 39.

18. Investment property

	Company 2013 $'000	Company 2012 $'000
Cost		
Beginning and end of financial year	**1,797**	1,797
Accumulated depreciation		
Beginning of financial year	**1,797**	1,589
Depreciation charge	**–**	208
End of financial year	**1,797**	1,797
Net book value		
End of financial year	**–**	–

(a) The fair value of the investment property of the Company at the balance sheet date is $7,700,000 (2012: $8,500,000). The initial lease on the investment property expires on 1 September 2012. However, the lease has been extended to 31 December 2021 on the condition that the Company meets certain level of required investments by 13 October 2014. As at balance sheet date, this condition has not been fulfilled.

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

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

19. Property, plant and equipment

	Freehold land and buildings $'000	Leasehold buildings $'000	Plant and machinery $'000	Motor vehicles $'000	Furniture, fittings and equipment $'000	Total $'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**
2012						
Cost						
Beginning of financial year	434	11,809	17,371	3,863	4,965	38,442
Additions	–	17	693	506	508	1,724
Disposals	–	–	(91)	(408)	(56)	(555)
Currency translation differences	(6)	–	(10)	(4)	(5)	(25)
End of financial year	428	11,826	17,963	3,957	5,412	39,586
Accumulated depreciation						
Beginning of financial year	62	7,688	13,601	3,169	4,199	28,719
Depreciation charge	5	688	1,035	416	391	2,535
Disposals	–	–	(91)	(403)	(56)	(550)
Currency translation differences	(1)	–	(7)	(2)	(4)	(14)
End of financial year	66	8,376	14,538	3,180	4,530	30,690
Net book value						
End of financial year	**362**	**3,450**	**3,425**	**777**	**882**	**8,896**

19. Property, plant and equipment (continued)

	Leasehold building $'000	Plant and machinery $'000	Motor vehicles $'000	Furniture, fittings and equipment $'000	Total $'000
Company					
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**
2012					
Cost					
Beginning of financial year	7,433	15,379	2,846	3,489	29,147
Additions	17	497	434	455	1,403
Disposals	–	(89)	(319)	–	(408)
End of financial year	7,450	15,787	2,961	3,944	30,142
Accumulated depreciation					
Beginning of financial year	3,524	12,041	2,373	2,895	20,833
Depreciation charge	476	901	310	340	2,027
Disposals	–	(88)	(319)	–	(407)
End of financial year	4,000	12,854	2,364	3,235	22,453
Net book value					
End of financial year	**3,450**	**2,933**	**597**	**709**	**7,689**

(a) Certain freehold land and buildings of the Group with a net carrying amount of approximately $8,097,000 (2012: $NIL) at 31 March 2013, were pledged as collateral to secure credit facilities granted by financial institutions amounting to approximately $2,098,000 (2012: $NIL).

(b) Certain leasehold buildings of the Group with a net carrying amount of $23 (2012: $23) at 31 March 2013, were mortgaged to banks to secure banking facilities amounting to $48,078,000 (2012: $46,798,000).

(c) The carrying amount of plant and equipment held under finance leases are $199,000 (2012: $112,000) and $NIL (2012: $ NIL) for the Group and Company respectively at the balance sheet date.

19. Property, plant and equipment (continued)

(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
Factory buildings and workshops and two-storey office building	27/58 Moo 8, Bueng, Sriracha, Chonburi 20230, Thailand.	104,600	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	451	Freehold

20. Intangible assets

	Group 2013 $'000	Group 2012 $'000
Composition:		
Goodwill arising on consolidation [Note 20(a)]	**4,440**	–
Customer contracts [Note 20(b)]	**261**	–
Customer relationships [Note 20(c)]	**2,303**	–
End of financial year	**7,004**	–

	Group 2013 $'000	Group 2012 $'000
a) Goodwill arising on consolidation		
Beginning of financial year	**–**	–
Acquisition of subsidiary (Note 36)	**4,440**	–
End of financial year	**4,440**	–
b) Customer contracts		
Cost		
Beginning of financial year	**–**	–
Acquisition of subsidiary (Note 36)	**454**	–
End of financial year	**454**	–
Accumulated amortisation		
Beginning of financial year	**–**	–
Amortisation charge	**193**	–
End of financial year	**193**	–
Net book value	**261**	–
c) Customer relationships		
Cost		
Beginning of financial year	**–**	–
Acquisition of subsidiary (Note 36)	**2,405**	–
End of financial year	**2,405**	–
Accumulated amortisation		
Beginning of financial year	**–**	–
Amortisation charge	**102**	–
End of financial year	**102**	–
Net book value	**2,303**	–

21. Available-for-sale financial assets

	Group		Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**–**	–	**–**	–
Additions	**2,482**	–	**2,482**	–
End of financial year	**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	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Transferable club memberships, at cost	**503**	503	**402**	402
Less: Allowance for impairment in value	**(140)**	(140)	**(104)**	(104)
	363	363	**298**	298

23. Trade and other payables

	Group		Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Trade payables:				
- Non-related parties	**63,901**	35,568	**37,062**	28,431
- Subsidiaries	**–**	–	**3,397**	3,378
- Associated company	**850**	17	**27**	13
	64,751	35,585	**40,486**	31,822
Construction contracts:				
- Due to customers (Note 13)	**3,184**	730	**416**	470
Non-trade payables:				
- Subsidiaries [Note 34(g)]	**–**	–	**1,852**	1,351
Provision for losses of an associated company (Note 16)	**–**	1,678	**–**	–
Sundry payables	**72**	67	**29**	22
Accruals for operating expenses	**4,256**	2,960	**2,504**	2,244
	72,263	41,020	**45,287**	35,909

24. Borrowings

	Group		Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Current				
Bank overdrafts (Note 11)	**2,121**	1,695	**–**	–
Bank borrowings	**772**	–	**–**	–
Trust receipts	**31**	–	**–**	–
Finance lease liabilities (Note 25)	**54**	28	**–**	–
	2,978	1,723	**–**	–
Non-current				
Bank borrowings	**1,205**	–	**–**	–
Finance lease liabilities (Note 25)	**88**	86	**–**	–
	1,293	86	**–**	–
Total borrowings	**4,271**	1,809	**–**	–

(a) Security granted

(i) Bank overdrafts and trust receipts of the Group amounting to $2,116,000 (2012: $1,695,000) are secured by short-term deposits of the subsidiary amounting to RM1,693,000 (equivalent of $679,000) [2012: RM1,545,000 (equivalent of $634,000)] (see Note 11) and corporate guarantees granted by the Company amounting to RM14,800,000 (equivalent of $5,936,000) [2012: RM15,400,000 (equivalent of $6,323,000)];

(ii) Bank overdrafts and bank borrowings of the Group amounting to $2,013,000 (2012: $NIL) are secured by fixed deposits of the subsidiary amounting to THB12,500,000 (equivalent of $530,000) (2012: $NIL) (see Note 11) and the mortgage of the subsidiary's land and buildings, and corporate guarantees granted by the Company amounting to THB155,000,000 (equivalent of $6,578,000) (2012: $NIL). Interest on bank borrowings is charged at rate based on Minimum Loan Rate (MLR). Repayment is to be made by monthly basis of Baht 1,400,000 (equivalent of $59,000) per month. Full settlement of the loan is to be made by December 2015.

(iii) 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.

(b) Fair value of non-current borrowings

	Group		Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Finance lease liabilities	**88**	86	**-**	-

24. Borrowings (continued)

(b) Fair value of non-current borrowings (continued)

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	
	2013	2012	**2013**	2012
Finance lease liabilities	**2.5%**	2.5%	**–**	–

(c) Interest rate risks

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

	Group	
	2013	2012
Bank overdraft	**8.1%**	6.1%
Bank borrowings	**6.1%**	–

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	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Minimum lease payments due				
- Not later than one year	**64**	34	**–**	–
- Between one and five years	**104**	102	**–**	–
	168	136	**–**	–
Less: Future finance charges	**(26)**	(22)	**–**	–
Present value of finance lease liabilities	**142**	114	**–**	–

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

	Group		Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Not later than one year (Note 24)	**54**	28	**–**	–
Between one and five years (Note 24)	**88**	86	**–**	–
Total	**142**	114	**–**	–

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	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Deferred income tax liabilities:				
- to be settled after one year	**1,559**	516	**458**	569
	1,559	516	**458**	569

Movement in deferred income tax account is as follows:

	Group		Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**516**	652	**569**	698
Credited to profit or loss [Note 9(a)]	**(111)**	(136)	**(111)**	(129)
Acquisition of subsidiary (Note 36)	**1,154**	–	**–**	–
End of financial year	**1,559**	516	**458**	569

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

As at 31 March 2013, the Group has unutilised tax losses of approximately $1,699,000 (2012: $1,512,000) and capital allowances of approximately $11,000 (2012: $398,000) available for offsetting 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.

26. Deferred income taxes (continued)

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
2013		
Beginning of financial year	**621**	**621**
Credited to profit or loss	**(111)**	**(111)**
Acquisition of subsidiary (Note 36)	**1,154**	**1,154**
End of financial year	**1,664**	**1,664**
2012		
Beginning of financial year	757	757
Credited to profit or loss	(136)	(136)
End of financial year	621	621

Deferred income tax assets

	Excess of depreciation over capital allowances	Total
	$'000	$'000
2013		
Beginning of financial year	**(105)**	**(105)**
Credited to profit or loss	**–**	**–**
End of financial year	**(105)**	**(105)**
2012		
Beginning of financial year	(105)	(105)
Credited to profit or loss	–	–
End of financial year	(105)	(105)

26. Deferred income taxes (continued)

Company

Deferred income tax liabilities

	Accelerated tax depreciation $'000	Total $'000
2013		
Beginning of financial year	**569**	**569**
Credited to profit or loss	**(111)**	**(111)**
End of financial year	**458**	**458**
2012		
Beginning of financial year	698	698
Credited to profit or loss	(129)	(129)
End of financial year	569	569

27. Share capital

	Issued share capital			
	Number of shares		Amount	
	2013 '000	2012 '000	**2013 $'000**	2012 $'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	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
(a) Composition:				
Currency translation reserve	**(70)**	(31)	**–**	–
(b) Movements:				
(i) Currency translation reserve				
Beginning of financial year	**(31)**	(122)	**–**	–
Net currency translation differences of financial statements of foreign subsidiaries and associated companies	**(39)**	91	**–**	–
End of financial year	**(70)**	(31)	**–**	–

29. Retained profits

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

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

	Company	
	2013	2012
	$'000	$'000
Beginning of financial year	**31,870**	29,584
Net profit	**5,841**	8,361
Dividends paid (Note 30)	**(3,038)**	(6,075)
End of financial year	**34,673**	31,870

30. Dividends

	Group and Company	
	2013	2012
	$'000	$'000
Ordinary dividends paid		
Final exempt dividend paid in respect of the previous financial year of 0.5 cent (2012: 1 cent) per share	**1,519**	3,038
Interim exempt dividend paid in respect of the current financial year of 0.5 cent (2012: 1 cent) per share	**1,519**	3,037
	3,038	6,075

At the Annual General Meeting on 30 July 2013, a final tax exempt (one-tier) dividend of 0.5 cent per share amounting to a total of $1,518,750 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 March 2014.

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 the Company are as follows:

	Company	
	2013	2012
	$'000	$'000
RM14,800,000 (2012: RM15,400,000)	**5,936**	6,323
USD8,000,000 (2012: USD5,000,000)	**9,934**	6,287
THB155,000,000 (2012: THB155,000,000)	**6,578**	6,329
SGD14,000,000 (2012: SGD14,000,000)	**14,000**	14,000
	36,448	32,939

32. Commitments

(a) Capital commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:

	Group		Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Acquisition of other investment	**–**	1,200	**–**	1,200

(b) 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	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Not later than one year	**1,358**	1,232	**1,166**	1,057
Between one and five years	**5,359**	4,927	**4,589**	4,227
Later than five years	**3,650**	4,044	**2,928**	3,211
	10,367	10,203	**8,683**	8,495

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 potential adverse effects from the unpredictability of financial markets on the Group's financial performance.

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

(a) *Market risk*

(i) *Currency risk*

The Group operates mainly in Asia with dominant operations in Singapore, 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").

33. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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

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

	SGD	USD	THB	RM	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000
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**
At 31 March 2012						
Financial assets						
Cash and cash equivalents	26,164	3,224	12	644	195	30,239
Trade and other receivables	52,789	13,150	3,297	3,652	15	72,903
	78,953	16,374	3,309	4,296	210	103,142
Financial liabilities						
Borrowings	–	–	–	1,809	–	1,809
Trade and other payables	36,601	2,915	–	1,499	5	41,020
	36,601	2,915	–	3,308	5	42,829
Net financial assets	42,352	13,459	3,309	988	205	60,313
Less: Net financial assets denominated in the respective entities functional currencies	(42,352)	–	–	(988)	–	(43,340)
Currency exposure	–	13,459	3,309	–	205	16,973

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	Other $'000	Total $'000
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	**31,600**	**386**	**3,497**	**1,172**	**36,655**
Less: Net financial assets denominated in the functional currency	**(31,600)**	**–**	**–**	**–**	**(31,600)**
Currency exposure	**–**	**386**	**3,497**	**1,172**	**5,055**
At 31 March 2012					
Financial assets					
Cash and cash equivalents	24,400	35	12	11	24,458
Trade and other receivables	54,481	285	3,297	349	58,412
	78,881	320	3,309	360	82,870
Financial liabilities					
Trade and other payables	35,882	27	–	–	35,909
	35,882	27	–	–	35,909
Net financial assets	42,999	293	3,309	360	46,961
Less: Net financial assets denominated in the functional currency	(42,999)	–	–	–	(42,999)
Currency exposure	–	293	3,309	360	3,962

33. Financial risk management (continued)

(a) *Market risk* (continued)

(i) *Currency risk* (continued)

If the USD change against the SGD by 5% (2012: 5%) with all other variables including tax rate being held constant, the effects arising from the net financial asset positions will be as follows:

	2013	2012
	Increase/(Decrease)	
	Profit after tax	Profit after tax
	$'000	$'000
Group		
USD against SGD		
- strengthened	**482**	559
- weakened	**(482)**	(559)
Company		
USD against SGD		
- strengthened	**16**	12
- weakened	**(16)**	(12)

(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 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.

(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.

33. Financial risk management (continued)

(b) *Credit risk* (continued)

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	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Corporate guarantees provided to banks for credit facilities granted to:				
- Subsidiaries	**–**	–	**36,448**	26,610
- Associated companies	**–**	6,329	**–**	6,329
	–	6,329	**36,448**	32,939

The trade receivables of the Group and of the Company comprise 2 debtors (2012: 3 debtors) and NIL debtors (2012: 2 debtors) respectively that individually represented 5-10% (2012: 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.

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

	Group		Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Past due 0 to 3 months	**7,603**	8,481	**2,141**	7,703
Past due 3 to 6 months	**5,394**	6,739	**3,386**	770
Past due over 6 months	**6,671**	5,677	**750**	134
	19,668	20,897	**6,277**	8,607

33. Financial risk management (continued)

(b) Credit risk (continued)

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

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

	Group		Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Gross amount	**361**	538	**–**	–
Less: Allowance for impairment	**(361)**	(538)	**–**	–
	–	–	**–**	–
Beginning of financial year	**538**	228	**–**	–
(Writeback)/allowance made	**(177)**	310	**–**	–
End of financial year	**361**	538	**–**	–

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

Non-current other receivables are repayable by installation over five years and the final expiry is in 2018.

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	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Gross amount	**540**	246	**–**	–
Less: Allowance for impairment	**(540)**	(246)	**–**	–
	–	–	**–**	–
Beginning of financial year	**246**	–	**–**	–
Allowance made	**294**	246	**–**	–
End of financial year	**540**	246	**–**	–

(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.

33. Financial risk management (continued)

(c) Liquidity risk (continued)

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

	Group		Company	
	Less than 1 year	Between 1 and 5 years	Less than 1 year	Between 1 and 5 years
	$'000	$'000	$'000	$'000
At 31 March 2013				
Trade and other payables	**69,079**	–	**44,871**	–
Borrowings	**3,203**	1,371	**–**	–
	72,282	1,371	**44,871**	–
At 31 March 2012				
Trade and other payables	40,290	–	35,439	–
Borrowings	1,865	89	–	–
	42,155	89	35,439	–

(d) Capital risk

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

Management monitors capital based on a gearing ratio. The Group and the Company are also required by certain banks to maintain a gearing ratio of not exceeding 250% (2012: 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.

	Group		Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Net debt	**–**	–	**–**	–
Total equity	**79,692**	75,411	**70,851**	68,048
Total capital	**79,692**	75,411	**70,851**	68,048
Gearing ratio	**–%**	–%	**–%**	–%

For the financial year ended 31 March 2013 and 2012, the Group and Company are not in net debt positions as cash and cash equivalents is more than borrowings. This resulted in a nil gearing ratio.

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 March 2013 and 2012.

33. Financial risk management (continued)

(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	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Purchase of computer equipment from an associated company	**90**	46	**7**	44
Computer maintenance fees paid to an associated company	**179**	177	**167**	175
Management fees from associated companies	**–**	96	**–**	96
Facilities fees from associated companies	**–**	241	**–**	241
Interest earned from loan to associated companies [Note 34(d)]	**–**	368	**–**	368

Outstanding balances as at 31 March 2013 are set out in Notes 12 and 23.

(b) *Key management personnel compensation*

Key management personnel compensation is as follows:

	Group	
	2013	2012
	$'000	$'000
Salaries and other short-term employee benefits	**3,322**	2,533
Employer's contribution to defined contribution plans, including Central Provident Fund	**65**	56
	3,387	2,589

Included in the above is total compensation to directors of the Company amounting to $1,801,000 (2012: $1,285,000).

34. Related party transactions (continued)

(b) *Key management personnel compensation* (continued)

The banding of directors' remuneration is as follows:

	Company	
	2013	2012
Number of directors of the Company in remuneration bands:		
$500,000 to $749,999	**2**	–
$250,000 to $499,999	**–**	2
Below $250,000	**4**	4
Total	**6**	6

(c) *Loans to subsidiaries*

Loans to subsidiaries amounting to $8,289,000 (2012: $929,000) as set out in Note 12 are unsecured, interest-free and repayable on demand. In 2012, interest is charged at 5% per annum.

(d) *Loans to associated companies*

	Group and Company	
	2013	2012
	$'000	$'000
Current		
Nasco-Hiap Seng Engineering Co Ltd	**–**	3,650
PT Technic (M) Sdn. Bhd.	**321**	321
	321	3,971

The loan to Nasco-Hiap Seng Engineering Co Ltd as at 31 March 2012 was unsecured, repayable on demand and interest at 9.5% per annum is charged.

The loan to PT Technic (M) Sdn. Bhd. is unsecured, interest-free and repayable on demand. In 2012, interest is charged at 5% per annum.

(e) *Non-trade receivables from subsidiaries*

The non-trade receivables from subsidiaries amounting to $5,771,000 (2012: $268,000) 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 $26,000 (2012: $247,000) as set out in Note 12, are unsecured, interest-free and repayable on demand.

(g) *Non-trade payables to subsidiaries*

The non-trade payables to subsidiaries amounting to $1,852,000 (2012: $1,351,000) 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.

The segment information provided to the management team for the reportable segments for the year ended 31 March 2013 is as follows:

	Plant construction and maintenance	Compression and process equipment fabrication	Total
	$'000	$'000	$'000
Group			
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)

35. Segment information (continued)

	Plant construction and maintenance	Compression and process equipment fabrication	Total
	$'000	$'000	$'000
Group			
2012			
Revenue			
Revenue from external parties	150,449	17,050	167,499
Adjusted EBITDA	8,095	(425)	7,670
Depreciation	(2,452)	(83)	(2,535)
Share of results of associated companies	(2,173)	–	(2,173)
Total assets	102,065	17,895	119,960
Total assets include:			
Investment in associated companies	1,006	–	1,006
Additions to:			
- property, plant and equipment	1,697	27	1,724
Total liabilities	(39,925)	(4,624)	(44,549)

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

The management team assesses the performance of the operating segments based on a measure of Earnings before interest, tax, depreciation, 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:

	2013	2012
	$'000	$'000
Adjusted EBITDA for reportable segments	**10,668**	7,670
Depreciation	**(3,306)**	(2,535)
Finance expense	**(299)**	(108)
Interest income	**98**	551
Amortisation	**(295)**	–
Profit before tax	**6,866**	5,578

35. Segment information (continued)

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.

	2013	2012
	$'000	$'000
Segment assets for reportable segments	**158,132**	119,960

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.

	2013	2012
	$'000	$'000
Segment liabilities for reportable segments	**78,440**	44,549

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) - 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.

35. Segment information (continued)

Geographical information (continued)

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.

	2013	2012
	$'000	$'000
Revenue		
Singapore	**130,124**	129,152
Malaysia	**49,788**	10,530
Thailand	**20,885**	–
People's Republic of China	**14,424**	14,204
Vietnam	**7,468**	12,977
Africa	**11,443**	–
Other countries	**3,285**	636
	237,417	167,499
Non-current assets		
Singapore	**19,751**	9,452
Malaysia	**1,683**	1,059
Thailand	**13,311**	–
People's Republic of China	**–**	–
Vietnam	**–**	–
Africa	**–**	–
Other countries	**–**	–
	34,745	10,511

Revenues of approximately $43,400,000 (2012: $30,317,000) are derived from a single external customer. These revenues are attributable to the Singapore plant construction and maintenance segment.

36. Business combinations

During the year, the Group obtained control of Nasco-Hiap Seng Engineering Co Ltd ('Nasco') by acquiring an additional interest of 37% for a consideration of $3,808,550. As a result, the Group's equity interest in Nasco increased from 48% to 85%.

The accounting for the acquisition of the subsidiary involves identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquired entity. The fair values of freehold land and buildings; plant and machinery; and intangible assets are determined by independent valuers by reference to market prices or present value of expected net cash flows from the assets. Any changes in the assumptions used and estimates made in determining the fair values, and management's ability to measure reliably the contingent liabilities of the acquired entity will impact the carrying amount of these assets and liabilities.

36. Business combinations (continued)

Details of the consideration paid, the assets acquired and liabilities assumed, the non-controlling interest recognized and the effects on the cash flows of the Group, at the acquisition date, are as follows:

		$'000
(a)	*Purchase consideration*	
	Cash paid	3,809
	Consideration transferred for the business	**3,809**
(b)	*Effect on cash flows of the Group*	
	Cash paid (as above)	3,809
	Less: cash and cash equivalents in subsidiary acquired	(3,440)
	Cash outflow on acquisition	**369**

		At fair value $'000
(c)	*Identifiable assets acquired and liabilities assumed*	
	Cash and cash equivalents	3,440
	Trade and other receivables	1,466
	Construction work-in-progress	961
	Other current assets	451
	Property, plant and equipment (Note 19)	10,533
	Customer contract (included in intangibles) (Note 20)	454
	Customer relationship (included in intangibles) (Note 20)	2,405
	Total assets	19,710
	Trade and other payables	8,440
	Borrowings	8,392
	Deferred income tax liabilities (Note 26)	1,154
	Total liabilities	17,986
	Total net identifiable assets	**1,724**
	Less: Non-controlling interest at fair value	(257)
	Add: Goodwill arising on consolidation (Note 20)	4,440
	Add: Reclassification from associated company to subsidiary	1,678
	Less: Gain on measurement of previously held equity interest (48%) (Note 7)	(3,776)
	Consideration transferred for the business	**3,809**

(d) *Acquired receivables*

The fair value of trade and other receivables is $1,466,000 and includes tax receivables with a fair value of $1,067,000. The trade receivables of $399,000 is expected to be collectible.

(e) *Fair values of intangible assets*

The fair value of the acquired identifiable intangible assets of $2,859,000 (customer contracts and relationships) has been determined based on the final valuation reports from the independent valuers.

37. New or revised accounting standards and interpretations

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 April 2013. The Group does not expect that the adoption of these accounting standards or interpretations will have a material impact on the Group's financial statements.

38. 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 5 July 2013.

39. Listing of companies in the Group

Name of companies	Principal activities	Country of business/ incorporation	Equity Holding			
			The Company		Subsidiary	
			2013 %	2012 %	**2013 %**	2012 %
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), (k)	Mechanical engineering services, plant fabrication and installation and plant maintenance for petroleum and petrochemical industries	Thailand	**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	**–**	–

39. Listing of companies in the Group (continued)

Name of companies	Principal activities	Country of business/ incorporation	Equity Holding			
			The Company		Subsidiary	
			2013 %	2012 %	**2013 %**	2012 %
Subsidiaries (continued)						
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 (i)	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	**–**	–
Associated companies						
United Testing Company Pte Ltd (f), (j)	Repair and maintenance of machinery and equipment for oil and gas industry	Singapore	**–**	50	**–**	–
Inspection & Testing Specialist Pte Ltd (f), (j)	Repair and maintenance of machinery and equipment for oil and gas industry	Singapore	**–**	50	**–**	–
Logthai-Hiap Seng Engineering Ltd (h)	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**	40
Nasco-Hiap Seng Engineering Co Ltd (e), (k)	Mechanical engineering services, plant fabrication and installation and plant maintenance for petroleum and petrochemical industries	Thailand	**–**	48	**–**	–

39. Listing of companies in the Group (continued)

Name of companies	Principal activities	Country of business/ incorporation	Equity Holding			
			The Company		Subsidiary	
			2013 %	2012 %	**2013 %**	2012 %
Associated companies (continued)						
Web-Economy Technology Pte Ltd (g)	Investment holding	Singapore	**–**	–	**30**	30
Hiap Seng Manco Co. (l)	General construction and trade of electrical tools and mechanical equipment	Qatar	**–**	–	**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 Lo Hock Ling & Co.

(g) Audited by DP & Associates.

(h) Audited by K Methathuschavalit (CPA, Thailand).

(i) Audited by Crowe Horwath AF 1018.

(j) Not deemed to be a joint venture as the Group does not have shared control of the entity.

(k) On 3 May 2012, the Group acquired additional shares in Nasco. As a result, the Group's interest increased from 48% to 85%, resulting in Nasco becoming a subsidiary.

(l) Newly incorporated during the financial year.

corporate
governance report

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

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

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

Of the six directors, two have specialised training. Mr M. Rajaram is a renowned lawyer in the legal sector and Mr Tan Lian Chew has vast number of years of experience in the finance, corporate and tax services. The remaining directors have each 30-40 years of industry experience. Key information regarding the directors' academic and professional qualifications and other appointments is set out on pages 84 to 85 of the Annual Report.

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

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

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

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

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

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

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

Name & Attendance of Directors	Board	Audit Committee ("AC")	Nominating Committee ("NC")	Remuneration Committee ("RC")
No. of Meetings held:	6	4	1	2
Tan Ah Lam (Executive Chairman and Chief Executive Officer)	5	NM	1	NM
Tan Leau Kuee @ Tan Chow Kuee (Executive Director)	5	NM	NM	NM
Tan Lian Chew (Executive Director)	6	NM	NM	NM
Dr. John Chen Seow Phun (Independent Director)	6	4	NM	2
Koh Kim Wah (Independent Director)	6	4	1	2
M. Rajaram (Independent Director)	4	4	1	2

NM: Not a Member of the Committee

Executive Chairman and Chief Executive Officer

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

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

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

NOMINATING COMMITTEE
(Code of Corporate Governance Principles 4 and 5)

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

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

a) 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 senior management staff 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;

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 on 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); and

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 adequately carried out his duties as a director of the Company, taking into consideration the director's number of listed company board representatives and other principal commitments.

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 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.

The dates of initial appointment and last re-election/ re-appointment of each of the Directors of the current Board are set out below:

Director	Position	Date of Intial 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	28 July 2011	Nominating Committee	Present NIL Past three years NIL
Tan Leau Kuee @Tan Chow Kuee	Executive Director	24 September 1990	30 July 2012	–	Present NIL Past three years NIL
Tan Lian Chew	Executive Director	22 November 1983	30 July 2012	–	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. Thai Village Holdings Ltd 2. OKP Holdings Limited 3. Hanwell Holdings Ltd 4. Matex International Limited 5. Tat Seng Packaging Group Ltd 6. HLH Group Limited 7. Fu Yu Corporation Limited Past three years NIL
Koh Kim Wah	Independent Director	28 July 2005	28 July 2011	Audit Committee, Remuneration Committee, Nominating Committee	Present Present NIL Past three years NIL
M Rajaram	Independent Director	28 July 2005	28 July 2010	Audit Committee, Remuneration Committee, Nominating Committee	Present 1. Golden Palm Resources Holdings Limited 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 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.

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

Mr Tan Lian Chew, who is 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 has expressed his willingness to be re-elected as a director of the company.

The NC recommended to the Board that Mr Tan Ah Lam, Mr M Rajaram and Mr Tan Lian Chew be nominated for re-appointment at the forthcoming AGM.

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

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

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

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

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

b) 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; and

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 executives of the Company to those required by law or by the Code.

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

Remuneration and Benefits of Directors and Top Five Key Executives

The Company sets remuneration packages which are competitive and sufficient to attract, retain and motivate directors and senior management of the required experience and expertise to run the Group successfully. The following table shows a breakdown of the remuneration of directors for FY 2013:

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	67	22	11	–	100
Tan Leau Kuee @ Tan Chow Kuee	64	23	13	–	100
Below S$250,000					
Tan Lian Chew	93	7	–	–	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 annual remuneration of top five key executives for FY 2013 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)	81	15	4	100
Tan Yaw Song (note 2)	89	10	1	100
Below S$250,000				
Tan Hak Jin (note 3)	89	11	–	100
Lim Chin Boo Paul	85	15	–	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 number of employees who are immediate family members of a director, and whose remuneration exceed S$150,000 during the year is as follows:

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

Remuneration of employees related to directors or substantial shareholders

Apart from Messrs Tan Ah Lam and Tan Leau Kuee @Tan Chow Kuee, there are 11 (2012: 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 2013 was S$1,913,000 (2012: S$1,503,000).

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.

AUDIT COMMITTEE (“AC”)
(Code of Corporate Governance Principles 11, 12 and 13)

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

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

a) 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; and

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

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

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

The AC having reviewed the independence and objectivity of the external auditors, is satisfied with the independence and objectivity of the external auditors. The audit fee for FY2013 paid to the external auditor, Messrs PricewaterhouseCoopers LLP("PWC") was S$195,000. 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 suspicions is brought to its attention.

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

INTERNAL CONTROLS
(Code of Corporate Governance Principle 12)

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

Based on the assurance provided by management, and the work performed by the internal and external auditors, the Board with the concurrence of the AC is of the opinion that adequate internal controls exist in the Company to address financial, operational and compliance risks. The Board regularly reviews the effectiveness of all internal controls, including operational controls.

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.

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

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

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

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

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

During the financial year 2013, the Board appointed KPMG Services Pte Ltd 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 has 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.

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 2013.

INTERESTED PERSON TRANSACTIONS
(Listing Manual Rule 907)

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

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

information on directors

Tan Ah Lam, Frankie
Executive Chairman and CEO

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

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

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

Tan Lian Chew
Executive Director (Finance)

Mr Tan Lian Chew has over 40 years of experience in accounting, taxation, financial and corporate matters from his working with the then Inland Revenue Department, public accounting firms and the management consultancy 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 Thai Village 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 in 1992. He has more than 35 years of diversified administrative, engineering, marketing and management experience in a multi-national petroleum company, where he retired as country president. Mr Koh is also a director of SmarttPapers International Pte Ltd., and Quadstone Energy Ltd as well as a Board Member of the PUB and a member of the Citizenship Committee of Inquiry, Ministry of Home Affairs.

M. Rajaram
Independent Director

Mr M. Rajaram was appointed as an Independent Director on 28 July 2005. Mr Rajaram graduated from National University of Singapore with a Bachelor of Laws (LLB) Honours degree and obtained MBA from Maastricht 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.

information on
key executive officers

Tan Yew Kun
Plant Maintenance Director

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
Project Director

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 non-practising Certified Public Accountant of the Institute of Certified Public Accountants of Singapore.

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 2013

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	266	4.98	41,894	0.01
1,000 – 10,000	2,763	51.72	16,276,647	5.36
10,001 – 1,000,000	2,293	42.92	123,135,729	40.54
1,000,001 and above	20	0.38	164,295,730	54.09
	5,342	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	7,092,614	2.34
4	GOO GUIK BING @ GOH GUIK BING	7,086,440	2.33
5	GUI BOON PIEN	6,200,000	2.04
6	DBS NOMINEES PTE LTD	5,339,094	1.76
7	UOB KAY HIAN PTE LTD	4,604,090	1.52
8	UNITED OVERSEAS BANK NOMINEES PRIVATE LIMITED	4,550,310	1.50
9	SZE CHAIN FAI @ SZE SOOK SENG	4,102,251	1.35
10	CITIBANK NOMINEES SINGAPORE PTE LTD	3,746,266	1.23
11	TAN AH LAM	3,319,500	1.09
12	TAN LIAN CHEW	3,080,761	1.01
13	PHILLIP SECURITIES PTE LTD	2,501,800	0.82
14	DBS VICKERS SECURITIES (S) PTE LTD	2,438,500	0.80
15	OCBC SECURITIES PRIVATE LTD	2,074,300	0.68
16	TAN KIM KOON	2,000,000	0.66
17	OCBC NOMINEES SINGAPORE PTE LTD	1,475,590	0.49
18	MAYBANK KIM ENG SECURITIES PTE LTD	1,457,200	0.48
19	STUART GEORGE MONTGOMERY	1,300,000	0.43
20	LIM KIAT	1,200,000	0.40
	TOTAL:	**164,295,730**	**54.09**

statistics of shareholdings

As at 18 June 2013

SUBSTANTIAL SHAREHOLDERS
(as recorded in the Register of Substantial Shareholders) as at 18 June 2013

	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 2013, approximately 62% 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, 30 July 2013 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 2013 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a final one-tier tax exempt dividend of 0.5 Singapore cent per ordinary share for the financial year ended 31 March 2013. **(Resolution 2)**

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

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

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

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

5. To approve the payment of Directors' fees of S$216,000 for the financial year ended 31 March 2013 (2012: S$217,000). **(Resolution 5)**

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

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

Special Business

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

8. 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, Mr Tan Lian Chew be re-appointed as a Director of the Company to hold office until the next annual general meeting of the Company." **(Resolution 7)**

9. 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:

(1) 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.

(2) (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;

(3) 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

(4) (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)**

By Order of the Board

Tan Hak Jin
Low Siew Tian
Joint Company Secretaries

Singapore, 15 July 2013

Explanatory Note:

The Ordinary Resolution no. 8 proposed in item 9 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.

notice of
book closure

Subject to the approval of Members at the Annual General Meeting, the Share Transfer Books and Register of Members of Hiap Seng Engineering Ltd (the "Company") will be closed from 13 August 2013 to 14 August 2013 (both dates inclusive) to determine members' entitlement to the final one-tier tax exempt dividend of 0.5 Singapore cent per ordinary share for the financial year ended 31 March 2013.

Duly completed registrable transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623 up to 5:00 p.m. on 12 August 2013 will be registered to determine members' entitlement to the said dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5:00 p.m. on 12 August 2013 will be entitled to the proposed dividend.

Payment of the dividend, if approved by the members at the Annual General Meeting to be held on 30 July 2013, will be made on 28 August 2013.

By Order of the Board

Tan Hak Jin
Low Siew Tian
Joint Company Secretaries

Singapore, 15 July 2013

HIAP SENG ENGINEERING LTD

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

ANNUAL GENERAL MEETING – PROXY FORM

IMPORTANT: FOR CPF INVESTOR ONLY

1. This Annual Report 2013 is forwarded to you at the request of your CPF Approved Nominee and is sent SOLELY FOR YOUR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

I/We ____ (Name)

of ____ (Address)

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

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

and/or (delete as appropriate)

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

as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting of the Company (the "Meeting") to be held at Conference Room, 28 Tuas Crescent, Singapore 638719 on Tuesday, 30 July 2013 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 2013 together with the Auditors' Report thereon.		
2.	Payment of proposed final dividend.		
3.	Re-election of Mr Tan Ah Lam as a director.		
4.	Re-election of Mr M Rajaram as a director.		
5.	Approval of Directors' fees amounting to S$216,000.		
6.	Re-appointment of Messrs PricewaterhouseCoopers LLP as Auditors.		
	Special Business		
7.	Re-appointment of Mr Tan Lian Chew 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 _______________ 2013

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