SIN HENG HEAVY MACHINERY LIMITED

新興重型機械有限公司

ANNUAL REPORT

2021

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CORPORATE PROFILE

With a history dating back to 1969, Sin Heng Heavy Machinery Limited has grown into an established provider of heavy lifting services in Singapore. Its core business activities are the rental and trading of cranes, aerial lifts and other heavy lifting equipment. The Group holds several regional distributorship rights granted by world renowned crane manufacturers. It also provides support to customers by undertaking turnkey project engineering services as well as sales and distribution of related equipment parts.

Leveraging on five decades of experience and expertise in providing comprehensive lifting services, the Group has successfully established a market presence in the region and built an extensive portfolio of customers from diverse industries, including infrastructure and geotechnics, construction, civil engineering works, offshore and marine as well as oil and gas sectors.

The Group is firmly committed to providing the best lifting services to its customers. Its mission is to provide high quality and reliable services to its customers in Asia.

Sin Heng Heavy Machinery Limited was listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") in February 2010.

OUR BUSINESS

The Group's core business activities are rental and trading of cranes, aerial lifts and other heavy lifting equipment. As part of its support services, the Group also undertakes the sales and distribution of related equipment parts to its customers in Asia.

OUR DISTRIBUTORSHIPS

Sin Heng Heavy Machinery Limited holds much coveted regional distributorship rights for a variety of cranes. This is attributed to the consistent dedication and reliability the Group has demonstrated, which have gained the confidence and trust of major equipment principals. The Group has dealership rights for the sales and distribution of cranes and parts for Kobelco (specialist in Japanese crawler cranes) and Kato (specialist in hydraulic cranes).

OUR PROFESSIONALISM

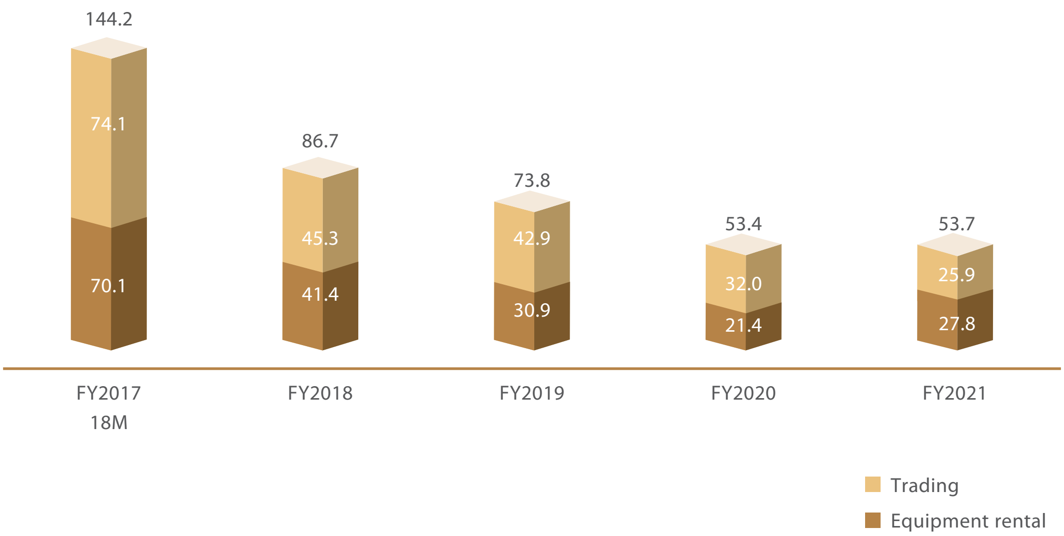
The Group has a strong team of well-trained staff who take pride in providing prompt and effective lifting services that meet the exacting demands and requirements of customers in the most professional manner. Leveraging on its broad technical expertise and excellent after-sales services, the Group has earned a reputation for consistently delivering operational, service and safety excellence to customers.

OUR OVERSEAS PRESENCE

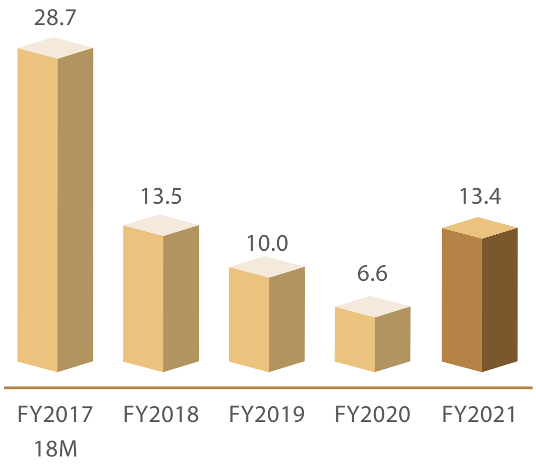
The Group currently has a regional footprint with active presence in Singapore, Malaysia, Indonesia and Myanmar. It is continually seeking opportunities to expand its reach to new geographic regions with promising business prospects. The Group's overseas operations are fully equipped with a comprehensive range of quality cranes and aerial lifts and supported by its team of professionals.

FINANCIAL HIGHLIGHTS

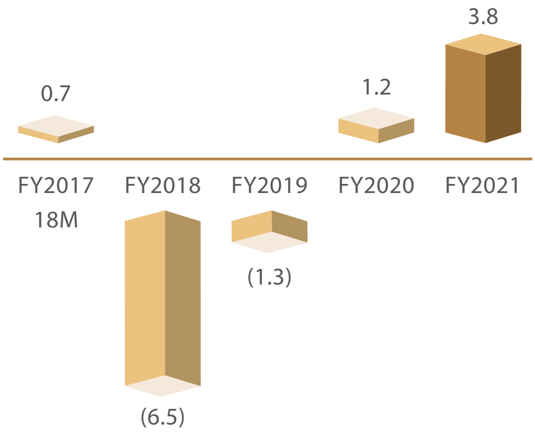
REVENUE
(S$Million)



GROSS PROFIT
(S$Million)



PROFIT (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY
(S$Million)



FINANCIAL HIGHLIGHTS

FINANCIAL PERFORMANCE SUMMARY

(S$'000)	18M FY2017	FY2018	FY2019	FY2020	FY2021
Statement of Profit or Loss					
Total revenue	144,236	86,678	73,790	53,357	**53,730**
– Trading	74,090	45,250	42,899	32,019	**25,908**
– Equipment rental	70,146	41,428	30,891	21,338	**27,822**
Gross profit	28,744	13,456	10,043	6,563	**13,390**
– Trading	8,587	3,816	4,831	4,159	**5,393**
– Equipment rental	20,157	9,640	5,212	2,404	**7,997**
Depreciation of property, plant and equipment	19,639	13,125	10,662	8,093	**7,535**
Profit/(loss) before income tax	2,852	(5,823)	(2,019)	756	**4,818**
Profit/(loss) attributable to owners of the Company	651	(6,482)	(1,279)	1,196	**3,766**
Statement of Cash Flows					
Cash flows from operating activities	56,586	30,538	19,651	14,060	**26,984**
Statement of Financial Position					
Total assets	192,909	151,479	134,630	127,445	**124,109**
– Crane and lifts	121,515	95,232	69,582	56,397	**51,557**
Total liabilities	71,339	38,557	23,175	14,976	**15,308**
Total equity	121,570	112,922	111,455	112,469	**108,801**
No. of shares issued (thousand)	114,889	114,889	114,889	114,889	**114,889**
No. of shares held as treasury shares (thousand)	876	876	876	876	**1,476**
Financial Indicators					
Revenue growth	56.6%	(39.9%)	(14.9%)	(27.7%)	**0.7%**
Gross profit margin	19.9%	15.5%	13.6%	12.3%	**24.9%**
Net asset value per ordinary share (dollars)	1.07	0.99	0.98	0.99	**0.96**
Based on profit/(loss) attributable to owners of the Company					
Net profit margin	0.5%	(7.5%)	(1.7%)	2.2%	**7.0%**
Return on equity	0.5%	(5.7%)	(1.1%)	1.1%	**3.5%**
Basic earnings/(loss) per share (cents)	0.57	(5.68)	(1.12)	1.05	**3.31**
Equipment Rental Fleet					
Aggregate crane lifting capacity (tons)	20,634	18,369	15,294	12,444	**11,399**
Average crane lifting capacity (tons)	104	103	112	101	**99**
Cranes (units)	199	179	137	123	**115**
Lifts (units)	260	244	182	175	**192**

OUR GLOBAL NETWORK

SINGAPORE (HQ)

INDONESIA

MYANMAR

VIETNAM

MALAYSIA

OUR NETWORK


EUROPE
MIDDLE EAST
INDIA
MYANMAR
THAILAND
SOUTH KOREA
JAPAN
TAIWAN
VIETNAM
MALAYSIA
BRUNEI
SINGAPORE (HQ)
INDONESIA
SOUTH AFRICA
AUSTRALIA
NEW ZEALAND

MESSAGE TO SHAREHOLDERS

Earnings per share

3.31¢

▲ 215.2% from FY2020

Tan Ah Lye
Executive Director & CEO

Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present to you the annual report of Sin Heng Heavy Machinery Limited and its subsidiaries (the "**Group**"), for the financial year ended 31 December 2021 ("**FY2021**").

Outlook and Key Events

With the worst of the COVID-19 pandemic likely behind us, FY2021 was a year of recovery, both operationally and financially for the Group. Our operations in Singapore have largely been supported by the various pro-active Government policies in minimizing the adverse effects of the COVID-19 pandemic, even though the world still faces significant disruptions as a result of the pandemic. However, our operations in Malaysia and Myanmar remain affected by the lacklustre local demand and political uncertainty.

For the Singapore economy, the Ministry of Trade and Industry announced a GDP growth forecast of "3.0 to 5.0 per cent" for 2022, taking into account the higher domestic vaccination rates and booster rollouts, dampened by the potential risk that more virulent strains of the virus may emerge and the impact on the energy market arising from geopolitical tensions between Russia and Ukraine, as well as unpredictable weather conditions from climate change further disrupting the global supply chain, amongst others.

Activities in the construction sector are projected to continue to recover on the back of the progressive easing of border restrictions for migrant workers arriving from the South Asia region, however; the construction sector's output is expected to remain below pre-pandemic levels throughout 2022.

In other parts of South-East Asia, specifically Malaysia, the economy is expected to grow at a faster pace in 2022 due to a pickup in domestic demand and robust external demand. Political uncertainty continues to weigh on the economic policy outlook (Fitch Ratings) as the current Malaysian Government is likely to hold an election in late-2022, before the current term expires in 2023. Myanmar's political scene remains in flux, and we will continue to closely monitor the market conditions and re-evaluate our business strategy in Myanmar as the situation continues to evolve.

In February 2022, the tensions between Russia and Ukraine led to a military invasion of the latter by the former, resulting in international condemnation and fresh sanctions imposed on Russia. We remain cautious of the possible aftershocks of this major event, including disruptions to international supply chains or potential operational risks and we will closely monitor the situation.

Financial Performance

In FY2021, the Group has strived to improve its profit margins, in the face of the limited demand from the construction sector, as some projects were still unable to fully resume activities as a result of the pandemic. For FY2021, the Group has recorded total revenue of S$53.7 million, a year-on-year increase of 0.7%, whereas gross profit was S$13.4 million, rebounding with a record 104.0% year-on-year increase, achieved via stringent cost disciplines practised by management, push for better profit margins from our core equipment rental business, and partly also due to the loss in revenue as a result of Circuit Breaker measures in FY2020. These strengths have also led to a net profit of S$3.8 million, representing a year-on-year increase of 214.9%.

MESSAGE TO SHAREHOLDERS

Mr Teo Yi-Dar
Non-Executive
Non-Independent Chairman

Dividend per share

5.0¢

FY2020: 5.0¢

Prospects

As Singapore grows, so shall the public infrastructure grow. Already ranked as one of the top in the world, Singapore's land transport system is always improving to better serve Singaporeans and making commuting more efficient and exploring more enjoyable. At Sin Heng, we are heavily invested in providing best-in-class cranes and services to the civil construction sector and we strongly support the Land Transport Authority's vision for a reliable, people-centred land transport system.

Up and coming MRT expansion projects include the Thomson-East Coast Line ("**TEL**"), Jurong Region Line ("**JRL**") and Cross Island Line ("**CRL**"), and extensions to existing lines such as North East Line ("**NEL**"), Downtown Line ("**DTL**") and Circle Line ("**CCL**").

In the ASEAN region, the general public is realising the possibilities that a good rail network can provide, and construction of an extensive rail network are on several regional governments' election manifestoes. In Malaysia, talks on reviving the KL-Singapore High-Speed Rail ("**HSR**") project have been initiated, while neighbouring Indonesia's Jakarta-Bandung HSR is currently under construction.

Although the general operating business environment in Singapore and the larger ASEAN region remain challenging due to the lingering COVID-19 pandemic and the political uncertainties in the surrounding ASEAN countries, we remain cautiously optimistic that as borders reopen and daily life resumes, demand for our lifting equipment may improve and we can emerge from this depressed period relatively unscathed.

The Group will continue to streamline and update our rental fleet to capitalise on the emerging opportunities when normalcy returns, and we will continue to closely monitor the market conditions to better position ourselves for the future, both financially and operationally.

Dividend

In lieu of the increased profitability and the stellar performance of the Group despite the difficult business environment in FY2021, the Board of Directors believe that it would be appropriate to reward our shareholders for your resolute support throughout this tumultuous period. We are pleased to recommend a dividend of 5.0 Singapore cents per ordinary share, comprising the first and final dividend of 1.0 Singapore cents and a special dividend of 4.0 Singapore cents for FY2021, totalling S$5.7 million. This dividend is subject to shareholders' approval at the forthcoming Annual General Meeting.

Changes to the Board

We are pleased to welcome Mr. Lim Keng Hoe (Lin Qinghe) to join the Board and to contribute his experience and skills to take the Group into the next lap of growth. Mr. Lim has been appointed as an Independent Director with effect from 12 July 2021.

Acknowledgement and Appreciation

On behalf of the Board and management, we extend our deepest appreciation to our employees for their efforts behind our performance. We owe our success in these turbulent times to their sacrifice and hard work. We would also like to take this opportunity to extend our gratitude to our valued customers and business associates for their loyal support in this challenging period.

Last but not least, we would like to thank each of our shareholders for your continued support. We appreciate your unwavering trust and confidence in us, especially in light of the events occurring in the past years, as we strive to grow the value of your company.

OPERATIONS REVIEW

The Company is also pleased to accept a letter of offer ("**Letter**") from JTC Corporation ("**JTC**") to renew the lease for the property at 26 Gul Road, Singapore 629346 for a further term of 20 years from October 2025. Pursuant to the Letter, the Company has been granted a 3-year building period by JTC, and will take this opportunity to further improve operational effectiveness through investing in new building structures and machineries to at the property.

At the end of FY2021, the Group had a total fleet size of 307 units of cranes and aerial lifts, compared to a total fleet size of 298 units of cranes and aerial lifts in FY2020. The Group continues to streamline and update the rental fleet to better capture any emerging opportunities in the market.

FINANCIAL PERFORMANCE

For the financial year ended 31 December 2021, the Group has recorded revenue of $53.7 million (2020: $53.3 million) and a net profit of $3.8 million (2020: $1.2 million) while earnings per share was 3.31 cents (2020: 1.05 cents).

Revenue ▲ 0.7% from $53,357k

$53,730k

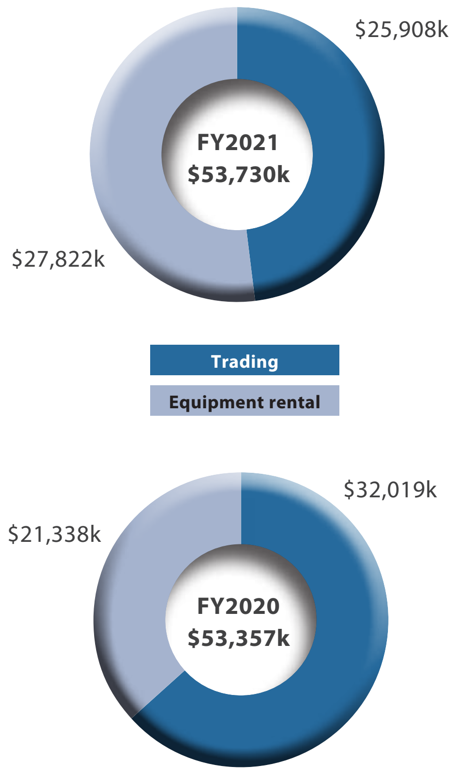
Gross Profit ▲ 104.0% from $6,563k

$13,390k

Net Profit ▲ 214.9% from $1,196k

$3,766k

REVENUE

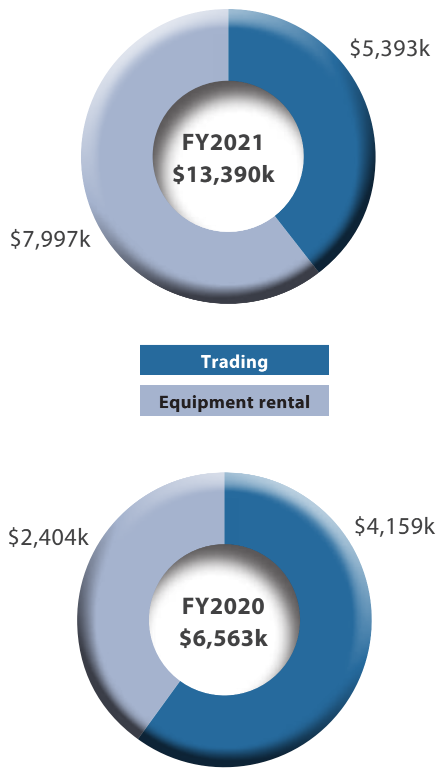


Total revenue in FY2021 was comparable to FY2020, with a slight increase of 0.7%, coming from the higher contribution of equipment rental segment revenue, offset by the lower trading segment revenue in the current financial year. Total gross profit of FY2021 had significantly increased mainly due to an improved performance from the equipment rental segment and trading segment.

Trading segment revenue had decreased but the corresponding segment gross profit had increased mainly due to different product mix sold in FY2021.

Equipment rental segment revenue and segment gross profit had both increased significantly in FY2021, as more cranes were rented out in FY2021, whereas the Circuit Breaker measures adopted in FY2020 during the COVID-19 pandemic period had resulted in a loss of income and significantly impacted FY2020's results.

GROSS PROFIT

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OPERATIONS REVIEW

PROFIT OR LOSS

($'000)	FY2021	FY2020	% change
Other operating income	**1,738**	4,096	▼ 57.6%
Selling expenses	**(346)**	(441)	▼ 21.5%
Administrative expenses	**(8,993)**	(8,794)	▲ 2.3%
Other operating expenses	**(998)**	(377)	▲ 164.7%
Finance costs	**(183)**	(473)	▼ 61.3%

Other income decreased by 57.6% in FY2021, as there was lower government grant (job support scheme) income received compared to FY2020, and the absent of foreign exchange gain.

Selling expenses decreased by 21.5% in FY2021, due to lower selling and travelling expenses incurred as a result of the border restrictions and movement control measures in place due to the COVID-19 pandemic.

Administrative expenses were comparable to FY2020, with a slight increase by 2.3% in FY2021, due to higher salary and related expenses.

Other operating expenses had increased by 164.7% in FY2021, which was mainly due to write-back of allowance for doubtful debts, and a net foreign exchange loss recorded in FY2021 as compared to a net foreign exchange gain recorded in FY2020.

Finance costs had decreased by 61.3% in FY2021 compared to FY2020 due to lower lease interest expense as certain lease liabilities were fully repaid during the year.

FINANCIAL POSITION

($'000)	FY2021	FY2020	Variance
Total Assets	**124,109**	127,445	(3,336)
– Current assets	**60,724**	60,949	(225)
– Non-current assets	**63,385**	66,496	(3,111)
Total Liabilities	**15,308**	14,976	332
– Current liabilities	**4,660**	6,606	(1,946)
– Non-current liabilities	**10,648**	8,370	2,278
Total Equity	**108,801**	112,469	(3,668)

Current assets as at 31 December 2021 had slightly decreased due to lower trade receivables and inventories, partially offset by higher cash and cash equivalents and financial assets measured at fair value through profit or loss.

Non-current assets as at 31 December 2021 had decreased due to the depreciation charged on property, plant and equipment for the year, offset by capitalisation of a right-of-use asset.

Current liabilities as at 31 December 2021 had decreased as a result of repayment of lease liabilities, partially offset by an increase in other payables.

Non-current liabilities as at 31 December 2021 had increased mainly due to recognition of a new lease liability and an increase in deferred tax liabilities.

As at 31 December 2021, total equity decreased by $3.7 million compared to prior year due to payment of dividend, offset against net profit for the year.

As at 31 December 2021, the Group registered a positive working capital of $56.1 million as compared to that of $54.3 million as at 31 December 2020. The Group has managed to maintain its net cash position as at 31 December 2021.

SIN HENG IS AN AUTHORISED DISTRIBUTOR FOR THESE LEADING BRANDS

BOARD OF DIRECTORS

As of 31 December 2021

MR TEO YI-DAR

Non-Executive Non-Independent Chairman

Mr Teo Yi-Dar was appointed as Non-Executive Non-Independent Chairman on 1 July 2020. He is a member of the Audit and Risk Committee, the Remuneration Committee and the Nominating Committee. Mr Teo started his career as an Engineer with SGS-Thomson Microelectronics in 1996, and he joined Keppel Corporation Ltd's business development division in 1997. In 1999, Mr Teo joined Boston-based Advent International Private Equity Group, commencing his career in the direct investment business. Mr Teo is currently a Private Equity investor, managing buy-outs and direct investments in Asian-based businesses in the chemical, engineering, manufacturing, industrial and technology sectors.

Mr Teo sits on the boards of several listed companies in Singapore, Hong Kong and China. Mr Teo holds two Masters' degrees; Master of Science Degree in Industrial and Systems Engineering (1998) and Master of Science Degree in Applied Finance (2000) from the National University of Singapore. Mr Teo graduated from the same university with a Bachelor of Electrical Engineering (Honours) in 1996. Mr Teo was accredited as a Chartered Financial Analyst by the CFA Institute in 2001.

MR TAN AH LYE

Executive Director and Chief Executive Officer

Mr Tan Ah Lye, the founder of the Company, is one of the pioneers in the lifting industry in Singapore. He started as a sole proprietor in 1969 and has more than 40 years of experience in cranes, aerial lifts and construction-related equipment. Mr Tan is very familiar with the business and operational aspects of the Company and is also very well-versed with the technicality of the equipment. With his many years of valuable experience and knowledge, Mr Tan has also built up a vast network across many industries and close relationships with our major suppliers.

Mr Tan has been our Executive Director and Chief Executive Officer since November 2017. Prior to November 2017, he was the Non-Executive Chairman from October 2012 to June 2016 and the Executive Chairman from July 2016 to November 2017. Mr Tan was conferred the Pingat Bakti Masyarakat (Public Service Medal) by The President of the Republic of Singapore in 2016.

BOARD OF DIRECTORS

As of 31 December 2021

MR TAN CHENG KWONG

Executive Director and Deputy Chief Executive Officer

Mr Tan Cheng Kwong joined the Company in 1995 and worked his way up to his current position as an Executive Director. Mr Tan has been appointed as Deputy Chief Executive Officer with effect from 4 May 2020. Mr Tan is in charge of the management and operations of Sin Heng Aerial Lifts Pte. Ltd. since 1999. Mr Tan has over 20 years of experience in the business of rental and trading of equipment. Under his management, our aerial lift business has grown significantly and we are now one of the leading aerial lift companies in Singapore.

MR TAN CHENG GUAN

Executive Director

Mr Tan Cheng Guan joined the Company in 1993 and worked his way up to his current position as an Executive Director. Mr Tan is in charge of our Group's crane trading business, Malaysia and Indonesia subsidiaries. Mr Tan also manages our maintenance service team to ensure best level of after sales service and support for our customers.

With his many years of experience in the crane business, Mr Tan has been instrumental in growing the scope and revenue of this business segment. He is responsible for developing new procurement channels, promoting sales, identifying new business opportunities and customers and managing relationships with existing customers.

BOARD OF DIRECTORS

As of 31 December 2021

MR LEONG WING KONG

Independent Director

Mr Leong Wing Kong was appointed as Independent Director on 1 July 2020. He is the Chairman of the Audit and Risk Committee, and a member of the Nominating Committee and the Remuneration Committee. Mr Leong has over 14 years of experience in direct investment in the areas of private equity and venture capital. Mr Leong was the Vice President of SEAVI Advent Private Equity where his responsibilities include supporting SEAVI Advent's investment business in ASEAN and China. Prior to SEAVI Advent, between November 1995 and March 2000, Mr Leong was at the Capital Markets Department of DBS where he provided mergers and acquisitions advisory services to clients in various industries. Before joining DBS, he was an auditor at Deloitte Touche Tohmatsu, Kuala Lumpur, from July 1992 to December 1993, and he later became an audit supervisor at Price Waterhouse, Singapore, from January 1994 to November 1995.

Mr Leong graduated with a degree of Bachelor of Business in Accounting in 1991 from Swinburne University of Technology in Australia. Mr Leong is also a Chartered Accountant registered with Institute of Singapore Chartered Accountants.

MR SOH SAI KIANG

Independent Director

Mr Soh Sai Kiang joined us as our Independent Director with effect from 1 August 2012. He is the Lead Independent Director, Chairman of the Remuneration Committee and the Nominating Committee, and a member of the Audit and Risk Committee. Mr Soh has been Head of Business Development and the Director of Capital Markets (Singapore) at UOB Kay Hian Pte Ltd since 2001, handling capital fund raising and debt financing. From 1999 to 2001, he was the Head of Internet Trading in Lum Chang Securities Pte. Ltd. (subsequently known as DBS Vickers Securities Pte. Ltd.), where he was responsible for managing the Internet trading business.

Mr Soh is an Independent Non-Executive Chairman of Blackgold Natural Resources Ltd, a company listed on the Mainboard of the Singapore Exchange and an Independent Non-Executive Director of Republic Healthcare Ltd, a company listed on the Hong Kong Exchange. He was the co-founder and Non-Executive Chairman of Artivision Technologies Ltd., a company listed on the Catalist of the Singapore Exchange. Mr Soh graduated with a Bachelor of Arts (Merit) degree in Economics and Political Science from the National University of Singapore in 1993.

BOARD OF DIRECTORS

As of 31 December 2021

MR LIM KENG HOE

Independent Director

Mr Lim Keng Hoe was appointed as Independent Director on 12 July 2021. He is a member of the Audit and Risk Committee, the Nominating Committee and the Remuneration Committee. Mr Lim is currently the Managing Director of Hitachi Systems Network Technologies Pte Ltd, an ICT solutions provider that integrates technologies, information and ideas and transforms businesses for innovation and growth. Concurrently, he also sits on the board of Hitachi Systems Network Technologies Pte. Ltd.. Mr Lim is an experienced enterprise leader with more than 25 years of experience in general & operational management, sales & business development as well as corporate strategy and policies formulation. Mr Lim started his career with the Singapore Police Force before his various stints in the private sector including the Singtel group and ST Telemedia group companies.

Mr Lim was awarded the prestigious Public Service Commission (Police Service) tertiary scholarship and graduated from the National University of Singapore in 1994 with a Bachelor of Science in Computer & Information Sciences.

CORPORATE INFORMATION

BOARD OF DIRECTORS:

Teo Yi-Dar
Non-Executive Non-Independent Chairman

Tan Ah Lye
Executive Director & CEO

Tan Cheng Kwong
Executive Director & Deputy CEO

Tan Cheng Guan
Executive Director

Soh Sai Kiang
Lead Independent Director

Leong Wing Kong
Independent Director

Lim Keng Hoe
Independent Director

AUDIT & RISK COMMITTEE:

Leong Wing Kong
Chairman

Soh Sai Kiang
Teo Yi-Dar
Lim Keng Hoe

NOMINATING COMMITTEE:

Soh Sai Kiang
Chairman

Leong Wing Kong
Teo Yi-Dar
Lim Keng Hoe

REMUNERATION COMMITTEE:

Soh Sai Kiang
Chairman

Leong Wing Kong
Teo Yi-Dar
Lim Keng Hoe

COMPANY SECRETARY:

Siau Kuei Lian, ACS ACG

REGISTERED OFFICE:

26 Gul Road
Singapore 629346

SHARE REGISTRAR AND SHARE TRANSFER OFFICE:

Boardroom Corporate & Advisory Services Pte. Ltd.
1 Harbourfront Avenue,
#14-07 Keppel Bay Tower,
Singapore 098632

AUDITORS:

Deloitte & Touche LLP
6 Shenton Way #33-00
OUE Downtown 2
Singapore 068809
Partner-in-charge: Hoe Chi-Hsien
(Appointed since FY2021)

CORPORATE GOVERNANCE REPORT

The Board of Directors ("**Board**") of Sin Heng Heavy Machinery Limited ("**Company**") recognises the importance of and is committed to maintaining a high standard of corporate governance. The Company is guided in its corporate governance practices by the Code of Corporate Governance 2018 (the "**Code**") so as to protect shareholders' interests and enhance long-term shareholders' value and corporate transparency. This Corporate Governance Report outlines the Group's corporate governance processes and activities during the financial year ended 31 December 2021 ("**FY2021**") with specific reference to the Code.

(A) BOARD MATTERS

Board's Conduct of its Affairs

Principle 1: The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.

The Board is responsible for the overall strategic direction and management of the Company and its subsidiaries (the "**Group**"). The principle duties of the Board include the following:

- Protects and enhances long-term shareholders' value
- Safeguards the shareholders' and other stakeholders' interests and the Company's assets through the enhancement of corporate performance and accountability
- Oversees and approves the formulation of the Group's overall long-term strategic objectives and directions, and sets its values and standards
- Responsible for the Group's overall performance goals financial plans, major investments, divestments and funding proposals
- Reviews the business, operation and financial performance, risk management systems and corporate governance practices
- Ensures the Group comply with all laws and regulations relevant to the Group's business goals

All Directors must objectively discharge their duties and responsibilities at all times as fiduciaries in the best interests of the Company.

The Board also considers sustainability issues, such as environmental and social factors, as part of its strategic formulation of the Group's objectives and directions. In addition to the foregoing, the Board also approves the policies and guidelines, the management of the Company's (the "**Management**") remuneration and the appointment of Directors.

The Board has adopted a set of internal controls and guidelines for the Management to operate within. These internal controls and guidelines set authorisation and approval limits for operating matters. Apart from matters that specifically require the Board's approval, such as investments, acquisitions, disposals, borrowings, issuance of shares, dividend distributions and other returns to shareholders, the Board approves operational matters where the value of a transaction exceeds these limits or when transactions fall outside the ordinary course of business.

CORPORATE GOVERNANCE REPORT

To assist in the execution of its responsibilities, the Board is supported by three committees, namely the Audit and Risk Committee ("**ARC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**") (collectively, "**Board Committees**"). Each committee functions within clearly defined terms of reference and operating procedures. The effectiveness of each committee is also constantly reviewed by the Board. The Board will conduct regular scheduled meetings on a half yearly basis. Besides the scheduled Board meetings, the Board also convenes ad-hoc meetings when circumstances require. If necessary, Board meetings may be conducted by way of telephone or video conferencing as permitted under Regulation 116 of the Company's Constitution where all persons participating in the meeting communicate with each other simultaneously and instantaneously.

Formal Board meetings are held at least two times a year to approve the half and full year results announcements and to oversee the business affairs of the Group. The schedule of all the Board and Board Committees meetings for the calendar year is given to all the Directors well in advance. The Board is free to seek clarification and information from the Management on all matters under their purview. Ad-hoc meetings are convened at such other times as may be necessary to address any specific significant matters that may arise. Important matters concerning the Group are also put to the Board for its decision by way of formal meetings and/or written resolutions.

The following table sets out the attendance of each Director at the Board and Board Committees meetings held during FY2021:

Name of Director	Board	ARC	NC	RC
	Number of Meetings Held: 2	Number of Meetings Held: 2	Number of Meetings Held: 1	Number of Meetings Held: 2
	Meetings Attended	Meetings Attended	Meetings Attended	Meetings Attended
Tan Ah Lye	2	–	–	–
Tan Cheng Guan	2	–	–	–
Tan Cheng Kwong	2	2*	1*	2*
Soh Sai Kiang	2	2	1	2
Teo Yi-Dar	2	2	1	2
Leong Wing Kong	2	2	1	2
Lim Keng Hoe(1)	1	1	–	1

Notes:
* By Invitation
(1) Mr. Lim Keng Hoe was appointed as an Independent Director of the Company, member of the Audit and Risk Committee and the Nominating Committee and the Remuneration Committee on 12 July 2021.

Appropriate briefing and orientation will be arranged for newly appointed Directors to familiarise them with the Group's business operations, strategic directions, Directors' duties and responsibilities and the corporate governance practices. They will also be given opportunities to visit the Group's operational facilities and meet the Management so as to gain a better understanding of the Group's business.

CORPORATE GOVERNANCE REPORT

Newly appointed Directors receive appropriate training, if required. The Group provides background information about its history, mission and values to its Directors. For new appointed Directors who do not have prior experience as a director of a public listed company in Singapore, pursuant to the Rule 210(5)(a) of the Listing Rules of Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Company will arrange for the SGX-ST's prescribed training courses organised by the Singapore Institute of Directors ("**SID**") on the roles and responsibilities of a director of a listed company, or other training institutions in areas such as management, accounting, legal and industry-specific knowledge, where appropriate, in connection with their duties.

Mr. Lim Keng Hoe was appointed to the Board on 12 July 2021 and underwent an orientation of the Company that provides its background information, history, mission and value. In addition, he has no prior experience as a director of a company listed on the SGX-ST. In this respect, Mr. Lim Keng Hoe has attended 6 core modules under the Mandatory Training conducted by SID in 2021.

In addition, the Management regularly updates and familiarises the Directors on the business activities of the Company during Board meetings. The Directors are encouraged to attend seminars and training programmes, keep abreast of the developments, changes and equip themselves in the discharge of Directors' duties and responsibilities. Changes to regulations and accounting standards are monitored closely by the Management. To keep pace with such regulatory changes, the Company provides opportunities for ongoing education and training on Board processes and best practices as well as updates on changes in legislation and financial reporting standards, regulations and guidelines from the Listing Rules of the SGX-ST that affect the Company and/or the Directors in discharging their duties, and such training will be funded by the Company.

The details of updates, seminars and training programmes attended by the Directors in FY2021 include, amongst others:–

- Updates on developments in financial reporting, where relevant, by the external auditors of the Company;

- Updates on regulatory announcements, guidance and/or amendments to the Listing Rules of the SGX-ST and the Code, where relevant, by the Company Secretary; and

- the changes in the relevant laws and regulations pertaining to the Group's business and changing commercial risks and business conditions of the Group by the Management.

All Directors have unrestricted access to the Company's records and information. From time to time, they are furnished with complete, accurate and adequate information in a timely manner to enable them to be fully cognisant of the decisions and actions of Management.

Detailed Board papers are prepared and circulated to the Directors before each Board meeting. The Board papers include sufficient information on financial, budgets, business and corporate issues to enable the Directors to be properly briefed on issues to be considered at the Board meetings. However, sensitive matters may be tabled at the meeting itself or discussed without any papers being distributed. Managers who can provide additional insight into the matters at hand would be present at the relevant time during the Board meeting.

The Board receives half-year financial performance results, annual budgets and explanation on material forecasts variances to enable them to oversee the Group's operational and financial performance as well as risks faced by the Group. Directors are also informed on a regular basis as and when there are any significant developments or events relating to the Group's business operations.

CORPORATE GOVERNANCE REPORT

The Directors have separate and independent access to Management and the Company Secretary, who are responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied, at all times through email, telephone and face-to-face meetings.

The Directors may also liaise with Management as and when required to seek additional information. Any additional materials or information requested by the Directors to make informed decisions is promptly furnished.

The Company Secretary assists the Chairman and the Chairman of each Board Committee in the development of the agendas for the various Board and Board Committees meetings. The Company Secretary and/or their representatives attend all the Board and Board Committees meetings and prepares minutes of meetings. The appointment and removal of the Company Secretary is a decision of the Board as a whole.

Board Composition and Guidance

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

Presently, the Board comprises one (1) Non-Executive Non-Independent Chairman, three (3) Executive Directors and three (3) Independent Directors:–

Name of Director	Board	ARC	NC	RC
Teo Yi-Dar	Non-Executive Non-Independent Chairman	Member	Member	Member
Tan Ah Lye	Executive Director & Chief Executive Officer (“**CEO**”)	–	–	–
Tan Cheng Kwong	Executive Director & Deputy CEO	–	–	–
Tan Cheng Guan	Executive Director	–	–	–
Soh Sai Kiang	Lead Independent Director	Member	Chairman	Chairman
Leong Wing Kong	Independent Director	Chairman	Member	Member
Lim Keng Hoe	Independent Director	Member	Member	Member

Although Independent Directors did not make up a majority of the Board, where the Chairman is not independent in pursuance to the Provision 2.2 of the Code, the Board has diversity of thought and background in its composition with Independent Directors exercising oversight function and leading discussions to form decisions in the best interests of the Company. In addition, matters requiring the Board’s approval are discussed and deliberated with participation from each member of the Board and all major decisions are made collectively.

In view of current Board comprises of three (3) Directors (out of a seven (7) member Board) who are Non-Executive Independent Directors, the Company had complies with Rule 210(5)(c) of the Listing Rules of the SGX-ST, which requires the Board to have at least one-third of the Directors who are independent and free of any material business or financial connection with the Company.

CORPORATE GOVERNANCE REPORT

The Board comprises a majority of four (4) Directors (out of a seven (7) member Board) who are Non-Executive Directors.

The Board assesses the independence of each Director in accordance with the Code and the Listing Rules of the SGX-ST. The NC considers an “independent” Director as one who has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere or be reasonably perceived to interfere, with the exercise of the Director’s independent business judgement with a view to the best interests of the Company.

Each Independent Director is required to complete a confirmation of independence form annually to confirm his independence based on the guidelines set out in the Code and the Listing Rules of the SGX-ST.

The NC has reviewed the forms on confirmation of independence completed by each Independent Director and is satisfied that Mr. Soh Sai Kiang, Mr. Leong Wing Kong and Mr. Lim Keng Hoe are independent in accordance with the Provision 2.1 of the Code and Rule 210(5)(d) of the Listing Rules of SGX-ST.

The Board noted that Mr. Soh Sai Kiang, the Independent Directors has served on the Board beyond nine (9) years as of the date of this report from the date of his appointment. However, the NC and the Board was of the view that Mr. Soh Sai Kiang is still considered independent. This was mainly due to Mr. Soh Sai Kiang continues to remain objective and independent-minded in Board deliberations. His vast experience enables him to provide the Board and the various Board committees on which he serves, with pertinent experience and competence to facilitate sound decision-making and that his length of service does not in any way interfere with his exercise of independent judgment nor hinder his ability to act in the best interest of the Company.

In view of the above, the NC and the Board recommended Mr. Soh Sai Kiang to continue his appointment as Independent Director and sought the shareholders’ consent pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST at the last annual general meeting (“**AGM**”) held on 30 April 2021. Majority of the shareholders voted for and approved his continued appointment as an Independent Director of the Company. He will remain as Independent Director until the earlier of: (a) his retirement or resignation; or (b) the conclusion of the third AGM from the AGM held on 30 April 2021.

The Independent Directors and Non-Executive Non-Independent Chairman participate actively during Board meetings. The Company has benefited from Management’s access to its Directors for guidance and exchange of views both within and outside of the meetings of the Board and Board Committees. The Independent Directors communicate amongst themselves and with the Company’s auditors and Senior Management. When necessary, the Company coordinates informal meetings for Independent Directors to meet without the presence of the Executive Directors and/or Management.

The NC has reviewed the size and composition of the Board and Board Committees. Having considered the scope and nature of the Group’s businesses, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees, the Board, in concurrence with the NC, is of the view that its current size, as well as the current size and composition of the Board Committees, are appropriate to facilitate effective decision making, and provide sufficient diversity of expertise to lead and govern the Company effectively.

The Board comprises Directors who as a whole, have core competencies and diversity of experience to enable them to lead and control the Group effectively. Such competencies and experiences including but not limited to appropriate balance and mix of skills, knowledge, gender, age, accounting, finance, industry knowledge, strategic planning, business judgement and general management. Although the Company has not adopted the board diversity policy, the Company has embraced all aspects of diversity in the current Board composition and the Board is the progress of establishing the board diversity policy.

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A brief description on the background of each Director is presented on "Board of Directors" section in the Annual Report. The Board, taking into account the NC's views, considers that the current Board provides an appropriate balance and diversity of skills, experiences and knowledge to the Company that will provide effective governance and stewardship for the Group.

Independent Directors do not exercise executive functions in the Group. Although all the Directors have equal responsibility for the performance of the Group, the role of the Independent Directors is particularly important in ensuring that the strategies proposed by the Management are fully discussed and take into account the long-term interests of not only the shareholders, but also of the employees, customers, suppliers and the communities in which the Group conducts its business and reviewing the performance of the Management in meeting agreed goals and objectives and monitoring the reporting of performance. Board's decisions are undertaken on a unanimous basis and no individual or group is able to dominate the Board's decision-making process. There is also an appropriate balance and diversity of skills and experience in the Board as the presence of Non-Executive Directors and Independent Directors are of calibre necessary to carry sufficient weight in the Board's decisions.

The Company co-ordinates informal meeting sessions for Independent Directors and Non-Executive Directors to meet on a need-basis without the presence of the Management to discuss matters such as the Group's financial performance, corporate governance initiatives, Board processes, succession planning as well as leadership development and the remuneration of the Executive Directors.

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Mr. Teo Yi-Dar is the Non-Executive Non-Independent Chairman while Mr. Tan Ah Lye is the Executive Director and CEO of the Company in charge of the overall operations and financial performance of the Company.

The responsibilities of the Non-Executive Non-Independent Chairman include:

- Primarily responsible for the effective working of the Board
- Achieving the Group's vision, overarching strategy and promoting the highest standards of corporate governance
- Leading the Board to ensure its effectiveness on all aspects of its role and setting its agenda
- Scheduling of meetings to enable the Board to perform its duties and responsibilities while not interfering with the flow of the Group's operations
- Promoting a culture of openness and debate at the Board
- Ensuring the Directors receive accurate, timely and clear information and effective communication with shareholders
- Encouraging constructive relations between the Board and Management and facilitating the effective contribution of Non-Executive Directors
- Acting in the best interest of the Group and of the Shareholders

CORPORATE GOVERNANCE REPORT

The Company Secretary may be called to assist the Non-Executive Non-Independent Chairman in any of the above.

As the Chairman is not Independent, the Company has appointed Mr. Soh Sai Kiang as the Lead Independent Director as recommended by the Code, to provide leadership in situations where the Chairman, who is not independent, is conflicted. Mr. Soh Sai Kiang is available to shareholders where they have concerns and for which contact through the normal channels of the Non-Executive Non-Independent Chairman, the CEO or the Chief Financial Officer ("**CFO**") has failed to satisfactorily resolve their concerns or when such contact is inappropriate or inadequate.

The Independent Directors, led by the Lead Independent Director, meet amongst themselves without the presence of the other Directors, where necessary, and the Lead Independent Director will provide feedback to the Non-Executive Non-Independent Chairman and CEO after such meetings.

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

The NC consists of three (3) Independent Directors and a Non-Executive Non-Independent Chairman as follows, the majority of whom, including the NC Chairman, are independent:

Mr. Soh Sai Kiang (Chairman)
Mr. Leong Wing Kong
Mr. Teo Yi-Dar
Mr. Lim Keng Hoe

The NC is guided by its written terms of reference which clearly sets out its authority and duties. The NC is responsible for, *inter-alia*:

(i) reviewing and making recommendations to the Board on all candidates nominated (whether by the Board, shareholders or otherwise) for appointment to the Board and on re-nomination of Directors, taking into account the composition and progressive renewal of the Board and each Director's competencies, commitment, prior contribution and performance;

(ii) making recommendations to the Board on matters relating to the review of Board succession plans for directors, the development of a process for evaluating the performance of the Board, Board Committees and Directors and reviewing of training programmes for the Board;

(iii) determining annually and as and when circumstances require whether or not a Director is independent;

(iv) deciding whether or not a Director with multiple board representations is able to and has been adequately carrying out his duties as a Director;

(v) reviewing training and professional development programs for the Board;

(vi) evaluating the performance of the Board, Board Committees and contribution of each Director to the effectiveness of the Board; and

CORPORATE GOVERNANCE REPORT

The NC is responsible for identifying and recommending potential candidates for appointment as directors to the Board, after considering the necessary and desirable competencies. In selecting potential directors, the NC will seek to identify the competencies required to enable the Board to fulfil its responsibilities. The NC will ensure that new Directors are aware of their duties and obligations.

The NC may engage consultants to undertake research on, or assess, candidates applying for new positions on the Board, or to engage such other independent experts, as it considers necessary to carry out its duties and responsibilities. Recommendations for new directors are put to the Board for its consideration.

Pursuant to Regulation 89 of the Company's Constitution, at least one-third of the Directors will retire at every AGM. Directors who retire are eligible to offer themselves for re-election. In addition, Regulation 96 of the Company's Constitution provides that a newly appointed Director can only hold office until the next AGM and then be eligible for re-election but shall not be taken into account in determining the number of Directors who are to retire by rotation.

Each member of the NC shall abstain from voting on any resolutions in respect of his re-nomination as a Director.

The NC had recommended to the Board that Mr. Tan Cheng Guan and Mr. Tan Cheng Kwong be nominated for re-election pursuant to Regulation 89 of the Company's Constitution and Mr. Lim Keng Hoe be nominated for re-election pursuant to Regulation 96 of the Company's Constitution at the forthcoming AGM. The Board had accepted the NC's recommendations.

In making the recommendation, the NC has considered the Directors' overall contributions and performance. Each member of the NC shall abstain from making any recommendation and/or participating in any deliberation of the NC in respect of the assessment of their own performance or re-election as a Director.

Mr. Lim Keng Hoe, being member of the NC who is retiring at the forthcoming AGM, abstained from voting on the resolution in respect of his own re-nomination as a Director.

Mr. Tan Cheng Guan, Mr. Tan Cheng Kwong and Mr. Lim Keng Hoe have consented for re-election at the forthcoming AGM.

Details of the retiring Directors seeking for re-election at the AGM are set out in pages 42 to 47 of this Annual Report in compliance with the Rule 720(6) of the Listing Manual of the SGX-ST.

The NC reviews the independence of each Director annually in accordance with the definition of independence as set out in the Code and Practice Guidance, and taking into consideration whether the Directors falls under any circumstances pursuant to Rule 210(3)(d) of the Listing Rules of SGX-ST. The Independent Directors have submitted their confirmation of independence annually for the NC's reviews.

For the financial year under review, the NC is of the view that the Independent Directors of the Company are independent (as defined in the Code and Listing Rules of the SGX-ST) and are able to exercise judgement on the corporate affairs of the Group independently from the Management.

CORPORATE GOVERNANCE REPORT

Pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST which will take effect from 1 January 2022, a director will not be independent if he/she has served for an aggregate of more than nine (9) years unless his/her continued appointment as an independent director has been sought and approved in separate resolutions by (a) all shareholders; and (b) shareholders, excluding the directors and chief executive officer of the issuer, and associates of such directors and chief executive officer (the "**Two-Tier Voting**"). For the purpose of the resolution referred to in (b), the directors and chief executive officer of the issuer, and their respective associates, must not accept appointment as proxies unless specific instructions as to voting are given. Such resolutions approved by a Two-Tier Voting may remain in force for three (3) years from the conclusion of the AGM following the passing of the resolutions or the retirement or resignation of the director, whichever the earlier.

Mr. Soh Sai Kiang, who had served as an Independent Director of the Company for an aggregate term of more than nine (9) years from the date of his first appointment, had sought and approved in separate resolutions by a Two-Tier Voting at the AGM held on 30 April 2021. Majority Shareholders approved the independence status of Mr. Soh Sai Kang and he will remain as Independent Director until the earlier of: (a) their retirement or resignation; or (b) the conclusion of the third AGM from the AGM held on 30 April 2021.

All Directors are required to declare their board representations on an annual basis and as soon as practicable after the relevant facts have come to his or her knowledge. Where a Director has multiple board representations, and in considering the nomination of Directors for appointment, the NC will evaluate whether or not the Director is able to and has been adequately carrying out his or her duties as a Director, as well as sufficient time and attention are given to the affairs of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments.

Although some of the Board members have multiple board representations, the NC, after discussion with the said Directors, is satisfied that sufficient time and attention has been given by the Directors to the Group. In view of this, the Board does not limit the maximum number of listed company board representation its Board members may hold as long as each of the Board members is able to commit his or her time and attention to the affairs of the Company and adequately carrying out his or her duties as a Director. The Board believes that each individual Director is best placed to determine and ensure that he or she is able to devote sufficient time and attention to discharge his or her duties and responsibilities as a Director of the Company, bearing in mind his or her other commitments. The Board and the NC will continue to review from time to time the board representations of each Director to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately.

There is no alternate director being appointed to the Board.

CORPORATE GOVERNANCE REPORT

Board Performance

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

In line with the principles of good corporate governance, the NC has adopted a process to evaluate the performance of the Board as a whole, the Board Committees and individual self-assessment to assess each Director's contribution to the Board's effectiveness on an annual basis. Objective performance criteria used to assess the performance of the Board, Board Committees and individual Directors include both quantitative and qualitative criteria.

All Directors review and evaluate the performance and assess the effectiveness of the Board and Board Committees as a whole and the results of each assessment are considered by the NC, which has the responsibility of assisting the Board in the evaluation of the Board's and Board Committees' effectiveness. Factors such as (1) the structure and size of the Board and Board Committees, (2) the manner in which the Board and Board Committees meetings are conducted, (3) the Board's and Board Committees' accountability, (4) the process to review and approve the corporate strategy and planning, (5) the Board's access to information, and (6) access to the Key Management to ensure the establishment of a risk management system and internal control are applied to evaluate the Board's, Board Committees' and each Director's performance. Each member of the NC abstains from making any recommendations and/or participating in any deliberation of the NC and from voting on any resolution in respect of the assessment of his own performance or re-nomination as a Director. The NC held one (1) meeting during FY2021.

The NC also assesses each individual Director's performance by using those factors including the interactive skills, knowledge, director's duties, availability and overall contribution. The Board and the NC believe that the financial indicators are mainly used to measure the Management's (including Executive Directors') performance and hence are less applicable to the Independent Directors.

In reviewing the overall Board's performance, the NC also took into consideration the Board's ability to monitor Management's achievement of the strategic directions/objectives set and approved by the Board.

Assessment parameters for Directors' performance include their level of participation at Board and Board Committees meetings and the quality of their contribution to Board processes and the business strategies and performance of the Group. The NC's evaluation of the individual Directors for FY2021 was facilitated with feedback from the NC members on areas relating to the Board's competencies and effectiveness. The results of the evaluation process were used by the NC, in its consultation with the Non-Executive Non-Independent Chairman to effect continuing improvements on Board processes.

Based on the summary of the evaluation for FY2021 together with the feedback and recommendations from individual Directors, members of the Board and the respective Board Committees, the NC is of the view that the overall effectiveness of the Board as a whole and the Board Committees, and individual Directors have been satisfactory for the financial year.

Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance.

For FY2021, the NC has not engaged any external facilitator to assist in the assessment of the performance of the Board and the Board Committees.

CORPORATE GOVERNANCE REPORT

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

The RC consists of three (3) Independent Directors and a Non-Executive Non-Independent Chairman as follows, the majority of whom, including the RC Chairman, are independent:

Mr. Soh Sai Kiang (Chairman)
Mr. Leong Wing Kong
Mr. Teo Yi-Dar
Mr. Lim Keng Hoe

The RC is guided by its written terms of reference which clearly set out its authority and duties. The RC is responsible for, *inter-alia*:

(i) recommending to the Board a framework of remuneration for Directors, CEO, CFO and Key Management Personnel whom the RC may decide from time to time;

(ii) determining specific remuneration packages for each of the Directors, CEO, CFO and Key Management Personnel. Recommendations of the RC are submitted for endorsement by the entire Board. All aspects of remuneration including, but not limited to, directors' fees, salaries, allowances, bonuses, options and benefits-in-kind are covered by the RC. Each member of the RC is required to abstain from voting on any resolutions and making recommendations and/or participating in any deliberations of the RC with respect to his remuneration package. If a member of the RC has an interest in a matter being deliberated by the RC, he is required to abstain from participating in the review and the approval process of the RC in relation to that matter; and

(iii) reviewing and submitting its recommendations for endorsement by the Board, any long term incentive schemes which may be set up from time to time and to do all acts in connection therewith.

No Director will be involved in determining his own remuneration.

The RC has full authority to obtain any external professional advice on matters relating to remuneration as and when the need arises. The expense of such services shall be borne by the Company. No external expert was engaged by the Company in FY2021.

In reviewing the service agreements of the Executive Directors and Key Management Personnel of the Company, the RC will review the Company's obligations arising in the event of termination of these service agreements, to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

CORPORATE GOVERNANCE REPORT

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and Key Management Personnel are appropriate to sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

In setting remuneration packages, the RC takes into account the respective performance of the Group and of each individual. In its deliberation, the RC takes into consideration remuneration packages, employment conditions within the industry and benchmarks against comparable companies.

The RC reviews the service contracts between Executive Directors and the Company to ensure that they are comparable to industry standards before giving its recommendations to the Board.

The RC recognises that the level and structure of remuneration should be aligned with the long-term interests and risk policies of the Company and should be appropriate to attract, retain and motivate the Directors to provide good stewardship of the Company and the Key Management Personnel to successfully manage the Company. The Company links the remuneration paid to the Executive Directors and Key Management Personnel to the Company's and each individual's performance, based on an annual appraisal and using indicators such as core values, competencies, key result areas, performance rating and potential of the employees.

The Independent Director and Non-Executive Directors do not have service agreement with the Company. Directors' fees will be paid or payable to the Independent Director and Non-Executive Director in accordance with their contributions, taking into account factors such as effort and time spent, responsibilities of the Directors and the need to pay competitive fees to attract, retain and motivate the Directors. The Independent Directors and Non-Executive Directors shall not be overcompensated to the extent that their independence may be compromised. The Directors' fees are reviewed and recommended by the RC and endorsed by the Board for shareholders' approval at the AGM of the Company.

Each member of the RC abstains from deliberating on or making recommendations in respect of any proposed amounts to be paid by the Company to him.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and Key Management Personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

CORPORATE GOVERNANCE REPORT

Disclosure on Remuneration

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationship between remuneration, performance and value creation.

The compensation packages for Executive Directors and the Key Management Personnel comprise a fixed component and a variable component. The fixed component of remuneration for the Executive Directors is based on the service agreements entered between the Company and the Executive Director, and for Key Management Personnel is based on the employment contract with them. Each of our Executive Directors has a service contract that covers a period of three years. The variable component of remuneration for both Executive Directors and Key Management Personnel includes a bonus and a profit sharing incentive which is linked to the Company's and individual's performances to align their interests with the shareholders.

The remuneration of each individual director and CEO as well as Key Management Personnel are set out in incremental bands of S$250,000. The Company has not disclosed exact details of the remuneration of each individual director and CEO as well as Key Management Personnel as maintaining confidentiality on such matters is important in the overall interest of the business. Any further disclosure could be detrimental to the Group's interests, as it may lead to poaching of Key Management Personnel at the expense of our competitive edge, or the revelation of the Group's trade practices or tactics to competitors, in a highly competitive industry.

The following table shows a breakdown of the remuneration of the Executive Directors, Non-Executive Directors, Key Management Personnel, Immediate Family Member of Directors or CEO in percentage terms for FY2021:

	Salary[4] (%)	**Bonus & profit sharing (%)**	**Shares Awards (%)**	**Other Benefits (%)**	**Fees (%)**	**Total (%)**
Executive Directors:						
S$500,001 to S$750,000						
Tan Cheng Guan	71	19	–	10	–	100
Tan Cheng Kwong (Cheng Qingguang)	67	28	–	5	–	100
S$250,001 to S$500,000						
Tan Ah Lye	61	36	–	3	–	100
Non-Executive Directors:						
Below S$250,000						
Soh Sai Kiang	–	–	–	–	100	100
Teo Yi-Dar	–	–	–	–	100	100
Leong Wing Kong	–	–	–	–	100	100
Lim Keng Hoe[1]	–	–	–	–	100	100

CORPORATE GOVERNANCE REPORT

	Salary[4] (%)	Bonus & profit sharing (%)	Shares Awards (%)	Other Benefits (%)	Fees (%)	Total (%)
Key Management Personnel:						
S$250,001 to S$500,000						
Tan Cheng Soon, Don[2]	65	31	–	4	–	100
Below S$250,000						
Yang Yung Kang	70	30	–	–	–	100
Wee Soe Chuen, Gary	94	6	–	–	–	100
Teh Zi Chiau[3]	73	7	–	20	–	100

Notes:
(1) Mr. Lim Keng Hoe was appointed as an Independent Director of the Company on 12 July 2021.
(2) Mr. Tan Cheng Soon, Don is an employee of the Group and the son of Executive Director and CEO, Mr. Tan Ah Lye and brother of Executive Directors, Mr. Tan Cheng Guan and Mr. Tan Cheng Kwong (Cheng Qingguang).
(3) Mr. Teh Zi Chiau resigned on 31 December 2021.
(4) Includes Central Provident Fund Contribution.

The Group had only identified four Key Management Personnel for the financial year ended 31 December 2021.

The aggregate remuneration of the top Key Management Personnel (who are not Directors or the CEO) amounted to S$872,000.

For FY2021, there were no termination, retirement or post-employment benefits granted to Directors and relevant Key Management Personnel other than the standard contractual notice period and termination payment in lieu of service.

The Company is of the view that our disclosure in good faith supports both the spirit of the Code and Principle 8 of the Code, and that disclosure in incremental bands of the Directors, CEO and Key Management Personnel are sufficient and adequate. Any further disclosure could be detrimental to the Group's interests, as it may lead to poaching of key executives, or revelation of the Group trade practices or tactics to competitors.

Share Award Scheme

The SHHM Employee Share Option Scheme had expired on 20 December 2019. No new Share Award Scheme is issue during FY2021.

Remuneration of Substantial Shareholder or Immediate Family Members of Director and CEO

Saved as disclosed table above for Mr. Tan Cheng Soon, Don, there were no other employees who are substantial Shareholders, or are immediate family members of a Director, the CEO or a substantial Shareholder, and whose remuneration exceeded S$100,000 during FY2021.

CORPORATE GOVERNANCE REPORT

(C) ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensure that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.

The Board acknowledges that it is responsible for establishing, maintaining and reviewing the effectiveness of the Company's overall internal control framework. The Board also recognises that an effective internal control system will not preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

As part of the ongoing risk management process, the Management will conduct a risk assessment and evaluation periodically, when deemed appropriate, and provide for significant risks to be managed through regular reviews by the Management, the Board Committees and the Board as well as adoption of adequate and cost-effective system of internal controls. The ARC reviews the Group's risk management process established by the Management to ensure that there are adequate and effectiveness of the internal controls in place to manage and mitigate the significant risks identified.

To ensure adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems, the following controls and procedures are in place:–

- Company policies and procedures are reviewed periodically;
- Internal audit functions are outsourced to a professional accounting firm. The annual internal audit plan is duly approved by ARC;
- Check and balance with segregation of duties and responsibilities;
- Department reports are reviewed at Management level;
- Approval matrix established are reviewed periodically; and
- Budgetary control and review.

The Board is responsible for the governance of risk and overall internal control framework and is fully aware of the value of a sound system of risk management and internal controls within the Group to safeguard shareholders' interests and the Group's assets, and to manage risks.

CORPORATE GOVERNANCE REPORT

As at the date of this Annual Report, the ARC has met with the Key Management Personnel, internal auditors and external auditors to review the internal auditors' and external auditors' audit plans and the adequacy of risk management mechanisms implemented within the Group. The internal auditors report to the ARC on any material weaknesses in the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls. As part of the annual statutory audit on financial statements, the external auditors report to the ARC on any material weakness in internal controls over the areas which are significant to the audit.

For the year under review, the Directors have received assurance from the CEO and CFO that:

a. The financial records have been properly maintained and the financial statements for FY2021 give a true and fair view in all material respects, of the Group's operations and finances; and

b. The Group's internal control and risk management systems are operating adequately and effectively in all material respects given its current business environment.

The Management continues to focus on improving the standard of internal control, corporate governance and the mitigation of high risk areas.

Based on the internal controls established and maintained by the Group and the statutory audit conducted by the external auditor and reviews performed by management and the ARC, the Board, with the concurrence of the ARC, is of the opinion that the system of internal controls, including financial, operational, compliance and information technology controls and risk management, were adequate and effective as at 31 December 2021 to meet the needs of the Group's existing business objectives, having addressed the risks which the Group considers relevant and material to its operations. While acknowledging their responsibility for the system of internal controls, the Directors are aware that such a system is designed to manage, rather than eliminate risks, and therefore cannot provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors or mis-statements, poor judgement in decision-making, human error, losses, fraud or other irregularities.

Audit and Risk Committee

Principle 10: The Board has an Audit and Risk Committee which discharges its duties objectively.

The ARC consists of three (3) Independent Directors and a Non-Executive Non-Independent Chairman as follows, all of whom are non-executive and the majority of whom, including the ARC Chairman, are independent:

Mr. Leong Wing Kong (Chairman)
Mr. Soh Sai Kiang
Mr. Teo Yi-Dar
Mr. Lim Keng Hoe

The Board is of the view that the members of the ARC are appropriately qualified and possess recent and relevant accounting or related financial management expertise or experience to discharge their responsibilities. All ARC members have many years of experience in accounting, finance and/or legal related expertise and experience. The profile of the members of the ARC can be found on pages 14 to 17 of this Annual Report.

CORPORATE GOVERNANCE REPORT

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

In line with the SGX-ST Listing Rules, the Board provides a negative assurance statement to the shareholders in respect of the interim financial statements. For the financial year under review, the CEO and the CFO have provided assurance to the Board on the integrity of the Group's financial statements.

In accordance with the terms of reference adopted by the ARC, the duties and powers of the ARC include, *inter alia*:

(i) assisting the Board in the discharge of its responsibilities on financial and accounting matters;

(ii) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;

(iii) reviewing with the external auditors on the audit plans, including the nature and scope of the audit before the audit commences, audit report, Management letter and Management's response and evaluate the system of internal controls;

(iv) reviewing the half year and full year announcements on financial statements and ensuring they are in compliance with the requirements of Singapore Financial Reporting Standards (International) before submission to the Board for approval to release;

(v) discussing and resolving problems and concerns, if any, arising from the annual audits, in consultation with the external auditors and internal auditors where necessary;

(vi) meeting with internal auditors and external auditors without the presence of the Management annually, to discuss any problems and concerns they may have;

(vii) reviewing the adequacy, effectiveness, independence, scope and results of the Company's external and internal audit function;

(viii) reviewing assistance given by Management to the internal auditors and external auditors;

(ix) reviewing annually the scope and results of the audit and its cost effectiveness as well as the independence and objectivity of the external auditors;

(x) reviewing the guidelines and procedures of interested person transactions falling within the scope of the SGX-ST Listing Manual;

(xi) reviewing half yearly and annually, the adequacy and effectiveness of the Company's internal control and risk management systems;

(xii) overseeing risk management; and

(xiii) reviewing the independence of and nominating external auditors for re-appointment.

CORPORATE GOVERNANCE REPORT

Apart from the duties listed above, the ARC is given the task of commissioning investigations into matters where there is suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on the Company's operating results or financial position, and to review its findings.

The ARC has full access to and has the co-operation of the Management, and has been given the resources required for it to discharge its function properly. It has full discretion to invite any Director or Executive Officer to attend its meetings.

In July 2010, SGX-ST and Accounting and Corporate Regulatory Authority ("**ACRA**") launched the "Guidance to Audit Committees on Evaluation of Quality of Work performed by External Auditors which aims to facilitate the ARC in evaluating the external auditors. Accordingly, the ARC had evaluated the performance of the external auditors based on the key indicators of audit quality set out in the said Guidance.

In line with the recommendations by ACRA, Monetary Authority of Singapore and the SGX-ST that the ARC can help to improve transparency and enhance the quality of corporate reporting by providing a commentary on key audit matters ("**KAM**"), the ARC together with the Management had considered the KAM presented by the external auditors. The ARC reviewed the KAM and concurred and agreed with the external auditors and Management on their assessment, judgements and estimates on the KAM reported by the external auditors.

The ARC recommends to the Board on the appointment, reappointment and removal of the external auditors and approval of the remuneration of the external auditors. The ARC has recommended to the Board that Deloitte & Touche LLP be nominated for the re-appointment as external auditors of the Company at the forthcoming AGM.

In appointing auditing firms for the Group, the ARC and the Board are satisfied that the appointment of different auditing firms for its subsidiaries would not compromise the standard and effectiveness of the audit of the Company. The Group has complied with Rules 712, 715 and 716 of the SGX-ST Listing Manual in relation to the engagement of its auditors.

The ARC will meet with the external auditors and internal auditors without the presence of the Management, as and when necessary, to review the adequacy of audit arrangement, with emphasis on the scope and quality of their audit, the independence, objectivity and observations of the external auditors and internal auditors. The ARC had met with the external auditors without the presence of the Management during the financial year.

The ARC had conducted a review of all non-audit services provided by the auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. Fees paid or payable by the Group to the external auditors (and member firms) of the Company for audit services and non-audit services for FY2021 amounted to S$142,000 and S$48,000 respectively.

The ARC is kept updated annually or from time to time on any changes to the accounting and financial reporting standards by the external auditors.

For FY2021, the Company confirms that it is in compliance with Rules 712 and 715 of the Listing Rules of the SGX-ST in relation to the appointment of audit firms for the Group. The ARC and the Board are satisfied with the standards and the effectiveness of the audits performed by the independent external auditors of the subsidiaries and significant associated companies of the Group, other than those of the Company.

CORPORATE GOVERNANCE REPORT

The Group has implemented a whistleblowing policy whereby employees can raise their concerns to their immediate Director or manager, the appointed whistleblowing officers, or Chairman of the ARC, Mr. Leong Wing Kong about possible improprieties in matters of financial reporting or other matters which they become aware and to ensure that:

(i) independent investigations are carried out in an appropriate and timely manner;

(ii) the identity of the whistleblower is kept confidential – subject to legal or regulatory requirements;

(iii) appropriate action is taken to correct the weakness in internal controls and policies which allowed the perpetration of fraud and/or misconduct and to prevent a recurrence;

(iv) administrative, disciplinary, civil and/or criminal actions that are initiated following the completion of investigations are appropriate, balance and fair, while providing reassurance that employees will be protected from reprisals or victimisation for whistle blowing in good faith and without malice; and

(v) the ARC is responsible for oversight and monitoring of whistleblowing and will review the policy and arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

As of to-date, there were no reports received through the whistleblowing mechanism.

The current size of the operations of the Group does not warrant the Group to have an in-house internal audit function. The Group outsources its internal audit functions to professional accounting firm, MS Risk Management Pte. Ltd. ("**MSRM**") to carry out the internal audit function. The ARC approves the hiring, removal, evaluation and compensation of the internal auditors.

The internal auditors report primarily to the ARC on internal audit matters and the ARC is empowered to review any of the accounting, auditing and financial practices of the Company and the Group. The internal auditors have unfettered access to all the Group's documents, records, properties and personnel, including unrestricted direct access to the ARC.

MSRM is an affiliated firm of Moore Stephens LLP, a leading accounting and consulting firm that has been established in Singapore for more than 30 years. MSRM is staffed with persons with the relevant qualifications and experience to perform the review and testing of controls of the Group's processes consistent with the International Standards for the Professional Practice of Internal Auditing which laid down in the International Professional Practices Framework issued by the Institute of Internal Auditors ("**IIA**"). The MSRM team is headed by Ms. Lao Mei Leng, a Director of MSRM and also an Audit Partner of Moore Stephens LLP. Ms. Lao Mei Leng is a practising member of the Institute of Singapore Chartered Accountants ("**ISCA**") and a member of SID. She has more than 25 years of audit experience and provides audit services, documentation of policies and procedures, sustainability reporting, SGX compliance and corporate governance review to a number of public-listed companies, MAS-regulated entities and government agencies. Ms. Lao is assisted by a Manager who directly oversees the engagement team and has over 18 years of experience in providing risk management services.

The ARC is of the view that MSRM is adequately staffed with persons with relevant qualifications and experience and adheres to professional standards including those promulgated by IIA. The ARC had conducted a review of the internal audit function and based on its review, it has concluded that the internal audit function is adequately resourced, effective and independent.

CORPORATE GOVERNANCE REPORT

In accordance with the annual internal audit plan approved by the ARC, the internal auditors conduct internal audit reviews of the Group to assist the Board and the ARC to assess the effectiveness of key internal controls covering financial, operational and compliance on an on-going basis. The internal auditors report independently their findings and recommendations to the ARC. The Management will update the ARC on the implementation status of the remedial action plans.

(D) SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder rights and conduct of general meetings

Principle 11: The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

The Company does not practise selective disclosure. In line with the continuous obligations of the Company under the Listing Rules of the SGX-ST and the Companies Act 1967, the Board's policy is that all shareholders should be informed of all major developments that impact the Group via SGXNet on a timely basis.

Shareholders are informed of general meetings through the announcements released to the SGXNet and notices of the general meetings are contained in the Annual Report or circulars are dispatched to all shareholders within the prescribed timeline. These notices are also advertised in a national newspaper. All shareholders are entitled to attend the general meetings and are provided the opportunity to participate in the general meetings. If any shareholder is unable to attend, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the general meeting through proxy forms sent in advance. The Company's Constitution does not provide for the nominee or custodial services to appoint more than two proxies.

On 3 January 2016, the legislation was amended, among other things to allow certain members, defined as "**Relevant Intermediary**" to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant Intermediary includes corporations holding licences in providing nominee and custodial services and Central Provident Fund ("**CPF**") Board which purchases shares on behalf of the CPF investors.

Each item of special business included in the notice of the general meetings will be accompanied by explanation of the impact of the proposed resolution. Separate resolutions are proposed for each substantially separate issue at general meetings.

The Chairman of the ARC, NC and RC are normally present and available to address questions relating to the work of their respective Board Committees at general meetings. The external auditors are present to assist the Board in addressing any relevant queries raised by the shareholders on matters relating to the audit and the financial statements.

The Company has decided, for the time being, not to implement voting in absentia through mail, electronic mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

The Company acknowledges that voting by poll in all its general meetings is integral in the enhancement of corporate governance. The Company adheres to the requirements of the Listing Rule of the SGX-ST and the Code, that all resolutions at the Company's general meetings are put to vote by poll. The detailed results of each resolution are announced via SGXNet after the general meetings.

CORPORATE GOVERNANCE REPORT

The Company prepares minutes of general meetings that include substantial and relevant comments or queries from Shareholders relating to the agenda of the meeting, and responses from the Board and the Management. Since the evolving COVID-19 situation in year 2021, these minutes are available to Shareholders on SGX-ST website and the Company's website.

In view of the COVID-19 situation in Singapore, the Company's last AGM held on 30 April 2021 ("**2021 AGM**") was held by way of electronic means pursuant to the COVID-19 (Temporary Measures)(Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 ("**COVID-19 Order**"). The notice of AGM was not published in the newspaper, but was instead disseminated to Shareholders through publication on SGXNet and the Company's corporate website, in accordance with the alternative arrangements for holding of the AGM pursuant to the COVID-19 Order. The Company had also published a notice to Shareholders, together with the notice of AGM, detailing the alternative arrangements for the 2021 AGM, during the COVID-19 pandemic. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Company in advance of the meeting, addressing of substantial and relevant questions prior to the AGM and voting by appointing the Chairman of the AGM as proxy, have also been put in place.

The Group does not have a formal dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. For FY2021, the Company declared and recommended first and final dividend and special dividend of 5.0 Singapore cents per ordinary share, comprising ordinary dividend of 1.0 Singapore cents and special dividend of 4.0 Singapore cents.

Engagement with shareholders

Principle 12: The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.

The Company believes in high standard of transparent corporate disclosure and is committed to disclose to its shareholders, the information in a timely and fair manner via SGXNet. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable. Communication is mainly made through:–

- Annual Report and Circulars that are prepared and sent to all shareholders. The Board ensures that these documents include all relevant material information about the Company and the Group, and other disclosures required by the Listing Rules of the SGX-ST, Singapore Companies Act and Singapore Financial Reporting Standards. Since the evolving COVID-19 situation in year 2021, these documents are available to Shareholders on SGX-ST website and the Company's website;

- Half yearly financial statements announcements containing a summary of the financial information and affairs of the Group;

- Announcements via SGXNet on matters required by the Listing Rules, amongst which include acquisitions and disposals, corporate actions, sustainability reporting; and

- The Company's website at www.sinheng.com.sg, where shareholders can access information and the corporate profile of the Group.

CORPORATE GOVERNANCE REPORT

The Company does not practice selective disclosure. Price sensitive information is first publicly released through SGXNet, before the Company meets with any investors or analysts. In view of the COVID-19 situation in Singapore, all shareholders of the Company are able to access the Annual Report with an accompanying notice of AGM via SGX-ST website and the Company's website.

Presently, the Company does not have an investor policy or protocol in place nor a dedicated investor relations team, as the Board was of the view that the current communication channels are sufficient and cost-effective. The Board's policy is that all Shareholders should be informed simultaneously in an accurate and comprehensive manner regarding all material developments that impact the Group via SGXNet on an immediate basis, in line with the Group's disclosure obligations pursuant to the Listing Rules and the Companies Act 1967. The Company will assess the need to establish an investor policy or protocol or investor relations team as and when it deems necessary.

The AGM is the principal forum for dialogue with Shareholders. The Company recognises the value of feedback from Shareholders. During the general meetings, Shareholders are given ample time and opportunities to air their views and concerns. All the Directors will endeavour to attend the AGMs and EGMs, and Shareholders will be given the chance to share their thoughts and ideas or ask questions relating to the resolutions to be passed or on other corporate and business issues. In view of the COVID-19 situation in Singapore, please refer to Principle 11 above for the relevant information on the proceedings of the 2021 AGM held in FY2021.

(E) MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Company recognises the vitality on stakeholders engagement for the Company's long-term sustainability. The Company engages with key stakeholders such as customers, suppliers, employees, investors, as well as government and regulators, to align the Company's sustainable approach with their expectations.

The Company and the Group have undertaken a process to determine the economic, environmental, social and governance issues, which important to these stakeholders. These issues form the materiality matrix upon which targets, performance and progress are reviewed and endorsed by the Board annually.

The Company maintains a corporate website at www.sinheng.com.sg to communicate and engage stakeholders. The website provides annual reports, financial information, stock information, profiles of the Group, and contact details of the Group.

The Sustainability Report FY2021 will be published to keep stakeholders informed on the Group's business and operations.

CORPORATE GOVERNANCE REPORT

(F) DEALINGS IN COMPANY'S SECURITIES

In compliance with Rule 1207(19) of the SGX-ST Listing Manual, the Company had adopted a Code of Best Practices to provide guidance to its officers on securities transactions by the Company and its officers.

The Company and its officers are not allowed to deal in the Company's shares during the period commencing one month before the announcement of the Company's half year and full year financial results, and ending on the date of the announcement of the relevant results.

Directors and executives are also expected to observe insider trading laws at all times even when dealing with securities within the permitted trading period, or when they are in possession of unpublished price sensitive information, and they are not to deal in the Company's securities on short-term considerations.

(G) INTERESTED PERSON TRANSACTIONS

The Company has established procedures, tracking and records for the review and approval of the Company's interested person transactions ("**IPTs**") to ensure that these are conducted on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

There were no IPTs with aggregate value exceeding S$100,000 between the Group and any of its interested persons (namely, Directors, Key Management Personnel or controlling shareholders of the Group or the associates of such Directors, Key Management Personnel or controlling shareholders) subsisting for FY2021.

(H) MATERIAL CONTRACTS

There is no material contract or loan entered into by the Company or any of its subsidiaries involving interests of any Director or controlling shareholder during FY2021.

CORPORATE GOVERNANCE REPORT

PARTICULARS OF DIRECTORS PURSUANT TO THE CODE OF CORPORATE GOVERNANCE AND APPENDIX 7.4.1 OF THE LISTING MANUAL OF SGX-ST

Name of Director	**Tan Cheng Guan**
Date of appointment	1 July 1996
Date of last re-election (if applicable)	23 April 2019 Due for re-election at the AGM to be held on 29 April 2022
Age	51
Country of principal residence	Singapore
The Board's comments on this re-election (including rationale, selection criteria, and the search and nomination process)	The Board of Directors has accepted and approved the Nominating Committee's recommendation, who has reviewed and considered Mr. Tan Cheng Guan's contributions and performance as the Executive Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive Mr. Tan Cheng Guan is in charge of the Group's crane trading business, Malaysia and Indonesia subsidiaries.
Job title	Executive Director
Professional qualifications	Mr. Tan Cheng Guan graduated with a Diploma in Mechanical Engineering from Singapore Polytechnic.
Working experience and occupation(s) during the past 10 years	Executive Director of Sin Heng Heavy Machinery Limited
Shareholding interest in the listed issuer and its subsidiaries	The Company Nil Subsidiaries of the Group Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	The son of the Executive Director and CEO, Mr. Tan Ah Lye, brother of the Executive Director and Deputy CEO, Mr. Tan Cheng Kwong (Cheng Qingguang) and the Director of Operation, Mr. Tan Cheng Soon, Don.
Conflict of interest (including any competing business)	None
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes

CORPORATE GOVERNANCE REPORT

Name of Director	Tan Cheng Guan
Other Principal Commitments Including Directorships	Past (for the last 5 years) FC Heavy Machinery Sdn Bhd Other Principal Commitments (for the last 5 years) Nil Present Sin Heng Aerial Lifts Pte Ltd TAL Holdings Pte Ltd SH Heavy Machinery Sdn Bhd SH Equipment Holdings Sdn Bhd Bestari Industrial Holdings Sdn Bhd PT. SH Machinery Indonesia Other Principal Commitments Nil

CORPORATE GOVERNANCE REPORT

Name of Director	**Tan Cheng Kwong (Cheng Qingguang)**
Date of appointment	1 July 1996
Date of last re-election (if applicable)	26 June 2020 Due for re-election at the AGM to be held on 29 April 2022
Age	48
Country of principal residence	Singapore
The Board's comments on this re-election (including rationale, selection criteria, and the search and nomination process)	The Board of Directors has accepted and approved the Nominating Committee's recommendation, who has reviewed and considered Mr. Tan Cheng Kwong (Cheng Qingguang)'s contributions and performance as the Executive Director and Deputy CEO of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive Mr. Tan Cheng Kwong (Cheng Qingguang) is in charge of management and operations of Sin Heng Aerial Lifts Pte. Ltd. and Vietnam operations.
Job title	Executive Director and Deputy Chief Executive Officer
Professional qualifications	Nil
Working experience and occupation(s) during the past 10 years	Executive Director of Sin Heng Heavy Machinery Limited
Shareholding interest in the listed issuer and its subsidiaries	The Company Nil Subsidiaries of the Group Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	The son of the Executive Director and CEO, Mr. Tan Ah Lye, brother of the Executive Director, Mr. Tan Cheng Guan and the Director of Operation, Mr. Tan Cheng Soon, Don.
Conflict of interest (including any competing business)	None
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes

CORPORATE GOVERNANCE REPORT

Name of Director	Tan Cheng Kwong (Cheng Qingguang)
Other Principal Commitments Including Directorships	Past (for the last 5 years) Nil Other Principal Commitments (for the last 5 years) Nil Present Sin Heng Aerial Lifts Pte Ltd TAL Holdings Pte Ltd Other Principal Commitments Nil

CORPORATE GOVERNANCE REPORT

Name of Director	**Lim Keng Hoe (Lin Qinghe)**
Date of appointment	12 July 2021
Date of last re-election (if applicable)	Nil Due for re-election at the AGM to be held on 29 April 2022
Age	50
Country of principal residence	Singapore
The Board's comments on this re-election (including rationale, selection criteria, and the search and nomination process)	The Board of Directors has accepted and approved the Nominating Committee's recommendation, who has reviewed and considered Mr. Lim Keng Hoe (Lin Qinghe)'s contributions and performance as the Independent Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive
Job title	Independent Director, a member of the Audit and Risk Committee, the Nominating Committee and the Remuneration Committee
Professional qualifications	Bachelor of Science (Computer & Information Sciences)
Working experience and occupation(s) during the past 10 years	2009 to 2014: General Manager, Technology Solutions Sales of NCS Pte Ltd January 2015 to September 2018: Managing Director of S & I Systems Pte Ltd February 2015 to July 2018: Director of Sunway S & I Systems Sdn Bhd and Sunway S & I Systems Thailand Ltd January 2019 to Present: Managing Director of Hitachi Systems Digital Services Pte Ltd/Hitachi Systems Network Technologies Pte Ltd July 2019 to Present: Director of Hitachi Systems Network Technologies Pte Ltd
Shareholding interest in the listed issuer and its subsidiaries	The Company Nil Subsidiaries of the Group Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None

CORPORATE GOVERNANCE REPORT

Name of Director	**Lim Keng Hoe (Lin Qinghe)**
Conflict of interest (including any competing business)	None
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes
Other Principal Commitments Including Directorships	Past (for the last 5 years) Sunway S & I Systems Sdn Bhd Sunway S & I Systems Thailand Ltd Other Principal Commitments (for the last 5 years) Nil Present Hitachi Systems Network Technologies Pte Ltd Other Principal Commitments Nil

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

FINANCIAL CONTENTS

DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2021.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 58 to 121 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended 31 December 2021 and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

The directors of the Company in office at the date of this statement are:

Tan Ah Lye
Tan Cheng Guan
Tan Cheng Kwong
Teo Yi-Dar
Leong Wing Kong
Soh Sai Kiang
Lim Keng Hoe (Appointed on 12 July 2021)

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

DIRECTORS' STATEMENT

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under section 164 of the Singapore Companies Act 1967 except as follows:

	Shareholdings registered in name of director or nominees		Shareholdings in which directors are deemed to have an interest	
Name of directors and companies in which interest are held	**At beginning of year**	**At end of year**	**At beginning of year**	**At end of year**
The Company (Ordinary Shares)				
Teo Yi-Dar	1,600	1,600	30,950,000	30,950,000
Tan Ah Lye	304,000	304,000	32,273,200	32,273,200

By virtue of Section 7 of the Singapore Companies Act 1967, Mr Tan Ah Lye and Mr Teo Yi-Dar are deemed to have interests in the Company and all the related corporations of the Company as at 31 December 2021.

The directors' interests in the shares and options of the Company at 21 January 2022 were the same at 31 December 2021.

4 SHARE OPTIONS

(a) *Options to take up unissued shares*

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted.

(b) *Options exercised*

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

(c) *Unissued shares under option*

At the end of the financial year, there were no unissued shares of the Company under option.

DIRECTORS' STATEMENT

5 AUDIT AND RISK COMMITTEE

The Audit and Risk Committee of the Company, consisting of all non-executive directors, is chaired by Mr Leong Wing Kong, an independent director, and includes Mr Teo Yi-Dar, a non-executive director, Mr Soh Sai Kiang, an independent director and Mr Lim Keng Hoe, an independent director. The Audit and Risk Committee has met twice since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

(a) the audit plans and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;

(b) the Group's financial and operating results and accounting policies;

(c) the financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditors' report on those financial statements;

(d) the half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;

(e) the co-operation and assistance given by the management to the Group's external auditors; and

(f) the re-appointment of the external auditors of the Group.

The Audit and Risk Committee has full access to management and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit and Risk Committee.

The Audit and Risk Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming AGM of the Company.

6 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

....

Tan Ah Lye

....

Teo Yi-Dar

31 March 2022

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SIN HENG HEAVY MACHINERY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sin Heng Heavy Machinery Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 58 to 121.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SIN HENG HEAVY MACHINERY LIMITED

Key Audit Matters (Continued)

Key Audit Matters	Our audit performed and responses thereon
Cranes and aerial lifts classified as inventories or property, plant and equipment The Group classifies cranes and aerial lifts purchased for sale to customers as inventories. When such machinery are purchased for leasing to customers, they are classified as property, plant and equipment. As at 31 December 2021, the cranes and aerial lifts classified as inventories and property, plant and equipment of the Group amounted to $1,255,000 and $51,557,000, respectively. Management judgement regarding future market and economic conditions is involved in determining the net realisable value of inventories and the recoverable amount of the property, plant and equipment as part of the annual impairment assessment. The accounting policies for inventories and property, plant and equipment are disclosed in Note 2 to the financial statements and the carrying amounts for inventories and property, plant and equipment of the Group are disclosed in Notes 10 and 11 to the financial statements respectively.	We obtained an understanding of the design and implementation of management's controls in place over the impairment assessment of cranes and aerial lifts. We performed procedures to evaluate and challenge the key assumptions used by management in their assessment of the net realisable value of inventories and the recoverable amount of the cranes and aerial lifts classified as property, plant and equipment. Cranes and aerial lifts classified as inventories We enquired and evaluated management's assessment of the inventories' net realisable value. This includes making enquiries with management to understand their plans for future sales and examining the aging of the inventories. We have also selected significant and/or old inventory items and compared the cost of the inventories against sales during the financial year and sales subsequent to financial year end. Cranes and aerial lifts classified as property, plant and equipment We obtained management's value-in-use calculations and evaluated the reasonableness of management's key assumptions such as rental rates and utilisation rates. We involved our internal valuation specialist to evaluate the valuation methodology and to review key inputs such as discount rate. We considered the adequacy and appropriateness of the disclosures of inventories and property, plant and equipment contained in Notes 10 and 11 to the financial statements respectively.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SIN HENG HEAVY MACHINERY LIMITED

Key Audit Matters (Continued)

Key Audit Matters	Our audit performed and responses thereon
Recoverability of trade receivables As at 31 December 2021, the trade receivables of the Group amounted to $8,370,000. Management judgement is required in assessing the ultimate realisation of the receivables, including the assessment of expected credit losses under SFRS(I) 9 *Financial Instruments*, current creditworthiness and the past collection history of each customer. The accounting policy for valuation of trade receivables is disclosed in Note 2 to the financial statements and the carrying amount of trade receivables is disclosed in Note 8 to the financial statements.	We obtained an understanding of the Group's processes and controls relating to the monitoring of trade receivables and considered the aging of the debts to identify collection risks. We performed audit procedures, amongst others, on a sample basis, reviewing customers' payment history and obtaining evidence of receipts from the customers subsequent to the financial year end. We also performed analysis of aging of trade receivables and evaluated management's assessment of material overdue trade receivables, considering the specific customers' profile and risks when no impairment allowance was made. In addition, we reviewed and assessed the reasonableness of the Group's historical loss rates and estimates of expected future loss rates, management's assessment of forward looking macro-economic factors and the eventual expected credit losses in accordance with SFRS(I) 9 *Financial Instruments*. We considered the adequacy and appropriateness of the related disclosures and classifications contained in Note 8 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SIN HENG HEAVY MACHINERY LIMITED

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SIN HENG HEAVY MACHINERY LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SIN HENG HEAVY MACHINERY LIMITED

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

The engagement partner on the audit resulting in this independent auditor's report is Hoe Chi-Hsien.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

31 March 2022

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021

		Group		Company	
	Note	2021	2020	2021	2020
		$'000	$'000	$'000	$'000
ASSETS					
Current assets					
Cash and cash equivalents	7	**48,018**	32,619	**30,493**	16,734
Trade receivables	8	**8,370**	23,154	**9,007**	26,849
Other receivables and prepayments	9	**1,281**	1,246	**3,838**	3,914
Lease receivables	12	**–**	–	**96**	84
Inventories	10	**1,255**	3,930	**538**	2,500
Financial assets at fair value through profit or loss	14	**1,800**	–	**1,800**	–
Total current assets		**60,724**	60,949	**45,772**	50,081
Non-current assets					
Property, plant and equipment	11	**59,253**	65,127	**31,563**	32,224
Right-of-use assets	12	**3,773**	955	**3,440**	535
Lease receivables	12	**–**	–	**272**	380
Investment in subsidiaries	13	**–**	–	**25,082**	29,385
Financial assets at fair value through profit or loss	14	**349**	404	**349**	404
Other assets	15	**10**	10	**10**	10
Total non-current assets		**63,385**	66,496	**60,716**	62,938
Total assets		**124,109**	127,445	**106,488**	113,019

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021

	Note	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
LIABILITIES AND EQUITY					
Current liabilities					
Derivative financial instruments	16	**100**	–	**100**	–
Trade payables	17	**739**	958	**7,622**	7,189
Other payables	18	**3,263**	2,630	**7,389**	12,297
Lease liabilities	19	**558**	3,014	**558**	2,006
Income tax payable		**–**	4	**–**	1
Total current liabilities		**4,660**	6,606	**15,669**	21,493
Non-current liabilities					
Lease liabilities	19	**3,942**	2,233	**3,942**	1,422
Deferred tax liabilities	20	**6,706**	6,137	**3,460**	3,000
Total non-current liabilities		**10,648**	8,370	**7,402**	4,422
Capital and reserves					
Share capital	21	**41,846**	41,846	**41,846**	41,846
Retained earnings		**74,803**	76,738	**42,162**	45,613
Treasury shares	22	**(591)**	(355)	**(591)**	(355)
Translation reserves		**(6,334)**	(4,837)	**–**	–
Capital reserve		**(923)**	(923)	**–**	–
Total equity attributable to owners of the Company		**108,801**	112,469	**83,417**	87,104
Total equity		**108,801**	112,469	**83,417**	87,104
Total liabilities and equity		**124,109**	127,445	**106,488**	113,019

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Note	Group 2021 $'000	Group 2020 $'000
Revenue	23	**53,730**	53,357
Cost of sales		**(40,340)**	(46,794)
Gross profit		**13,390**	6,563
Other operating income	24	**1,738**	4,096
Selling expenses		**(346)**	(441)
Administrative expenses		**(8,993)**	(8,794)
Other operating expenses	25	**(998)**	(377)
Reversal of impairment losses on financial assets	8	**210**	182
Finance costs	26	**(183)**	(473)
Profit before income tax		**4,818**	756
Income tax (expense) credit	27	**(1,052)**	440
Profit for the year attributable to owners of the Company	28	**3,766**	1,196
Profit per share (cents):			
Basic and diluted	29	**3.31**	1.05
Profit for the year	28	**3,766**	1,196
Other comprehensive (loss) income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(1,499)**	(182)
Cumulative exchange differences on disposal of a subsidiary		**2**	–
Total comprehensive income for the year attributable to owners of the Company		**2,269**	1,014

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2021

	Share capital $'000	Treasury shares $'000	Translation reserves $'000	Capital reserve $'000	Retained earnings $'000	Attributable to equity holders of the Company $'000	Total $'000
Group							
Balance at 1 January 2020	41,846	(355)	(4,655)	(923)	75,542	111,455	111,455
Total comprehensive income for the year:							
Profit for the year	–	–	–	–	1,196	1,196	1,196
Other comprehensive loss for the year	–	–	(182)	–	–	(182)	(182)
Total	–	–	(182)	–	1,196	1,014	1,014
Balance at 31 December 2020	41,846	(355)	(4,837)	(923)	76,738	112,469	112,469
Total comprehensive income for the year:							
Profit for the year	–	–	–	–	3,766	3,766	3,766
Other comprehensive loss for the year	–	–	(1,497)	–	–	(1,497)	(1,497)
Total	–	–	(1,497)	–	3,766	2,269	2,269
Transactions with owners, recognised directly in equity							
Dividends paid (Note 30)	–	–	–	–	(5,701)	(5,701)	(5,701)
Repurchase of shares (Note 22)	–	(236)	–	–	–	(236)	(236)
Total	–	(236)	–	–	(5,701)	(5,937)	(5,937)
Balance at 31 December 2021	**41,846**	**(591)**	**(6,334)**	**(923)**	**74,803**	**108,801**	**108,801**

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2021

	Share capital $'000	Treasury shares $'000	Retained earnings $'000	Total $'000
Company				
Balance at 1 January 2020	41,846	(355)	46,773	88,264
Loss for the year, representing total comprehensive loss for the year	–	–	(1,160)	(1,160)
Total	–	–	(1,160)	(1,160)
Balance at 31 December 2020	41,846	(355)	45,613	87,104
Profit for the year, representing total comprehensive income for the year	–	–	2,250	2,250
Total	–	–	2,250	2,250
Transactions with owners, recognised directly in equity				
Dividends paid (Note 30)	–	–	(5,701)	(5,701)
Repurchase of shares (Note 22)	–	(236)	–	(236)
	–	(236)	(5,701)	(5,937)
Balance at 31 December 2021	**41,846**	**(591)**	**42,162**	**83,417**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Group	
	2021	**2020**
	$'000	**$'000**
Operating activities		
Profit before income tax	**4,818**	756
Adjustments for:		
Unrealised fair value loss (gain) from derivative financial instruments	**100**	(40)
Depreciation of property, plant and equipment	**7,535**	8,093
Depreciation of right-of-use assets	**261**	258
Write-back of allowance for doubtful debts	**(210)**	(239)
Impairment loss on financial assets	**–**	57
Interest expense	**183**	473
Interest income	**(154)**	(328)
Net unrealised foreign exchange loss (gain)	**907**	(945)
Bad debts (recovered) written off	**(173)**	10
Gain on disposal of property, plant and equipment	**1**	(10)
Loss on deregistration of a subsidiary	**2**	–
Property, plant and equipment written off	**–**	1
Inventories written off	**16**	–
Fair value loss arising on financial assets designated as at FVTPL	**55**	149
Operating cash flows before movements in working capital	**13,341**	8,235
Trade receivables	**14,898**	(54)
Other receivables and prepaid expenses	**(110)**	487
Inventories	**12,568**	11,296
Trade payables	**(215)**	(331)
Other payables	**672**	(238)
Cash generated from operations	**41,154**	19,395
Income tax paid	**(465)**	(752)
Purchase of property, plant and equipment (Note A)	**(13,705)**	(4,583)
Net cash from operating activities	**26,984**	14,060
Investing activities		
Interest received	**154**	328
Purchase of property, plant and equipment (Note A)	**(68)**	(139)
Purchase of financial assets designated as at FVTPL	**(1,800)**	–
Proceeds from disposal of property, plant and equipment	**201**	125
Net cash (used in)/from investing activities	**(1,513)**	314

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Group	
	2021	**2020**
	$'000	**$'000**
Financing activities		
Interest paid	**(183)**	(473)
Repayment of lease liabilities	**(3,804)**	(6,408)
Purchase of treasury shares	**(236)**	–
Dividends paid	**(5,701)**	–
Net cash used in financing activities	**(9,924)**	(6,881)
Net increase in cash and cash equivalents	**15,547**	7,493
Cash and cash equivalents at beginning of year	**32,619**	25,078
Effect of exchange rate changes on the cash and cash equivalents held in foreign currencies	**(148)**	48
Cash and cash equivalents at end of year (Note 7)	**48,018**	32,619

Note A

During the financial year ended 31 December 2021, the Group acquired property, plant and equipment (including inventory that were purchased and transferred to property, plant and equipment in the current year) with an aggregate cost of $13,773,000 (2020: $4,722,000), comprising $10,232,000 (2020: $3,544,000) of inventory purchased during the year and transferred to property, plant and equipment in the current year and $3,541,000 (2020: $1,178,000) of cash purchase of property, plant and equipment.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

1 GENERAL

The Company (Registration No. 198101305R) is incorporated in Singapore with its registered office and principal place of business at 26 Gul Road, Singapore 629346. The Company was listed on the Singapore Exchange Securities Trading Limited on 3 February 2010. The financial statements are expressed in Singapore dollars.

The principal activities of the Company are those of hiring and dealing in cranes and heavy machinery and provision of facilities and custody services. The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended 31 December 2021 were authorised for issue by the Board of Directors on 31 March 2022.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act 1967 and Singapore Financial Reporting Standards (International) ("SFRS(I)s").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of SFRS(I) 2 *Share-based Payment*, leasing transactions that are within the scope of SFRS(I) 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entity, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ADOPTION OF NEW AND REVISED STANDARDS – On 1 January 2021, the Group and the Company have adopted all the new and revised FRSs that are relevant to its operations and effective from that date. The adoption of these new/revised FRSs does not result in changes to the Group's and the Company's accounting policies and has no significant effect on the amounts reported for the current or prior years.

NEW/REVISED STANDARDS AND IMPROVEMENTS TO THE STANDARDS NOT YET ADOPTED – At the date of authorisation of these financial statements, the following SFRS (I) pronouncements relevant to the Group and the Company were issued but not yet effective:

- Amendments to SFRS(I) 3 *Reference to the Conceptual Framework*[(1)]
- Amendments to SFRS(I) 1-16 *Property, Plant and Equipment – Proceeds before Intended Use*[(1)]
- Annual Improvements to SFRS(I)s 2018 – 2020[(1)]
- Amendments to SFRS(I) 1-1 Classification of Liabilities as Current or Non-current[(2)]
- SFRS(I) 1-8: Definition of Accounting Estimates

(1) Applies to annual periods beginning on or after 1 January 2022.
(2) Applies to annual periods beginning on or after 1 January 2023.

Management anticipates that the adoption of the above SFRS(I) pronouncements in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

BASIS OF CONSOLIDATION – The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company. Control is achieved where the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the group are eliminated on consolidation.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

<u>Changes in the Group's ownership interests in existing subsidiaries</u>

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in the Group's ownership interests in existing subsidiaries (Continued)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)s. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS – Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the group to the former owners of the acquiree, and equity interests issued by the group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *Employee Benefits* respectively;

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the group entered to replace share-based payment arrangements of the acquiree are measured in accordance with SFRS(I) 2 *Share-based Payment* at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

When the consideration transferred by the group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

CAPITAL RESERVE – Capital reserve represents effects of changes in ownership interests in subsidiaries when there is no change in control.

FINANCIAL INSTRUMENTS – Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

Despite the aforegoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amortised cost and effective interest method (Continued)

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss under "other operating income" line item.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value as at each reporting date, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other operating income" or "other operating expenses" line item. Fair value is determined in the manner described in Note 4b(v).

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Specifically,

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "other operating income" and "other operating expenses" line item; and

- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "other operating income" or "other operating expenses" line item.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost or at FVTOCI, contract assets, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, governmental bodies and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations, namely those of hiring and dealing in cranes and heavy machinery and provision of facilities and custody services, if any.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- An actual or expected significant deterioration in the operating results of the debtor;

- Significant increases in credit risk on other financial instruments of the same debtor; and

- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant increase in credit risk (Continued)

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For undrawn loan commitments, the expected credit loss is the present value of the difference between the contractual cash flows that are due to the group if the holder of the loan commitment draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are Grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement and recognition of expected credit losses (Continued)

- Nature, size and industry of debtors;
- Nature of collaterals for finance lease receivables; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered and the definitions of a financial liability and an equity instrument.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity instruments (Continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Group, and commitments issued by the Group to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which SFRS(I) 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL (Continued)

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the group is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and SFRS(I) 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the "other operating income" or "other operating expenses" line item.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts and loan commitments issued by the Group that are designated by the Group as at fair value through profit or loss are recognised in profit or loss.

Fair value is determined in the manner described in Note 4b(v).

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity instruments (Continued)

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not (1) contingent consideration of an acquirer in a business combination, (2) held-for-trading, or (3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost as at each reporting date, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "other operating income" or "other operating expense" line item in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derivative financial instruments

The Group enters into foreign exchange forward contract to manage its exposure to foreign exchange rate risks. Further details of derivative financial instruments are disclosed in Note 16.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value as at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Group as lessor

Leases for which the group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the group uses the incremental borrowing rate specific to the lessee.

Lease payments included in the measurement of the lease liability comprise of fixed lease payments (including in-substance fixed payments), less any lease incentives.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as lessee (Continued)

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as lessee (Continued)

As a practical expedient, SFRS(I) 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

INVENTORIES – Inventories, comprising mainly cranes and aerial lifts, are stated at the lower of cost and net realisable value. For purchase of inventories, cost of cranes and aerial lifts is determined on specific identification cost basis and comprises the costs of purchase and other costs incurred in bringing the inventories to their present location and condition. For inventories transferred from property, plant and equipment with the intention to sell, the deemed cost of the inventories are their net carrying value at the date of change in use. Net realisable value represents the estimated selling price in the ordinary course of business, less the estimated selling expenses.

PROPERTY, PLANT AND EQUIPMENT – Property, plant and equipment are stated at cost, less accumulated depreciation and any accumulated impairment loss.

Depreciation is charged so as to write off the cost of property, plant and equipment, other than freehold land which is not depreciated, over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold land	–	Over lease period of 37 years
Workshop building	–	Over lease period of 25 years
Cranes	–	6.67% and 10%
Aerial lifts	–	10%
Motor vehicles	–	20%
Plant and equipment	–	10% to 20%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment, other than for cranes and aerial lifts that are transferred to inventories, is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss. The sales consideration and deemed cost of cranes and aerial lifts that are transferred to inventories and subsequently disposed of are recognised as revenue and cost of sales respectively when the cranes and aerial lifts are transferred to the customer.

Fully depreciated property, plant and equipment still in use are retained in the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT OF TANGIBLE ASSETS – At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

PROVISIONS – Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENT GRANTS – Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

REVENUE RECOGNITION – The Group recognises revenue from the following major sources:

- Sale of cranes and aerial lifts.
- Rental of cranes and aerial lifts.
- Servicing of cranes and aerial lifts.

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control of a product or service to a customer.

Sale of cranes and aerial lifts

The Group is involved in the trading of cranes and aerial lifts. Revenue from the sale of cranes and aerial lifts is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's location (delivery). A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time required before payment is due.

Rental of cranes and aerial lifts

The Group's policy for recognition of revenue from operating lease is described above.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Servicing of cranes and aerial lifts

The Group is involved in the servicing of cranes and aerial lifts in relation to the rental operating segment. The servicing of cranes and aerial lifts are individually considered to be a distinct service as it is both regularly supplied by the Group to other customers on a stand-alone basis and is available for customers from other providers in the market. Transaction price are allocated to the services based on its stand-alone selling price.

Revenue relating to the servicing of cranes and aerial lifts is recognised over time. Management has assessed that the revenue recognition based on output method is an appropriate measure of progress towards complete satisfaction of these performance obligations under SFRS(I) 15 *Revenue from Contracts with Customers*.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

BORROWING COSTS – Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT COSTS – Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

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 end of the reporting period.

NOTES TO FINANCIAL STATEMENTS

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAX – Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries and associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION – The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of each reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

On the disposal of a foreign operation, all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS – Cash and cash equivalents in the statement of cash flows comprise cash on hand, cash at bank and fixed deposits and are subject to an insignificant risk of changes in value.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimations and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgements in applying the entity's accounting policies

Management is of the opinion that there are no critical judgements involved that have a significant effect on the amounts recognised in the financial statements, except for those involving estimation uncertainties as disclosed below.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of cranes and aerial lifts classified as property, plant and equipment

Where there are indications of impairment of its cranes and aerial lifts classified as property, plant and equipment, the management estimates the recoverable amounts of these assets to determine the extent of the impairment loss, if any. The recoverable amounts of these assets are determined based on value-in-use calculations which require the use of key estimates such as utilisation rates and discount rate. The carrying amount of cranes and aerials lifts classified as property, plant and equipment at the end of the reporting period is disclosed in Note 11 to the financial statements.

Allowance for inventories

In determining the net realisable value of the cranes and aerial lifts classified as inventories, an estimation of the recoverable amount of inventories on hand is performed by management based on the most reliable evidence available at the time the estimates are made. Management judgement regarding future market and economic conditions is involved in determining the net realisable value of inventories. The carrying amount of inventories is disclosed in Note 10 to the financial statements.

Allowance for trade receivables

Management judgement is required in assessing the ultimate realisation of the trade receivables. This involves an assessment of the Group's historical loss rates and estimates of expected future loss rates, management's assessment of forward-looking macroeconomic factors and the eventual expected credit losses in accordance with SFRS(I) 9. The carrying amount of trade receivables is disclosed in Note 8 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

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4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Financial assets at amortised cost	**56,718**	56,035	**43,153**	47,306
Financial assets measured at FVTPL	**2,149**	404	**2,149**	404
	58,867	56,439	**45,302**	47,710
Financial liabilities				
Financial liabilities at amortised cost	**4,002**	3,588	**15,011**	19,486
Lease liabilities	**4,500**	5,247	**4,500**	3,428
Derivative instruments not designated in hedge accounting relationships	**100**	–	**100**	–
	8,602	8,835	**19,611**	22,914

(b) Financial risk management policies and objectives

The financial risk management of the Group is handled by management of the Company as part of the operations of the Group. Management seeks to mitigate risk through monitoring of exposures to financial risks arising on the normal course of operations. The Group may enter into foreign exchange forward contracts to mitigate its foreign exchange exposure from time to time.

(i) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted procedures in extending credit terms to customers and in monitoring its credit risk.

The credit policy sets out the guidelines on extending credit terms to customers, including assessment and valuation of customers' credit reliability and periodic review of their financial status to determine credit limits to be granted.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(i) Credit risk management (Continued)

Of the trade receivables balance at the end of the year, \$1.3 million (2020: \$16.9 million) is due from one of the Group's largest customers (2020: 3 customers). Apart from this, the Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk related to the 1 customer (2020: 3 customers) did not exceed 20% (2020: 40%) of gross monetary assets at any time during the year. Concentration of credit risk to any other counterparty did not exceed 5% of gross monetary assets at any time during the year. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

As at 31 December 2021, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group develops and maintains its credit risk gradings to categorise exposures according to their degree of risk of default. The Group uses its trading records to rate its major customers and other debtors. The Group does not hold collateral to cover its credit risks associated with its financial assets.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL (other than trade receivables without significant financing component)
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

NOTES TO FINANCIAL STATEMENTS

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4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(b) *Financial risk management policies and objectives (Continued)*

(i) Credit risk management (Continued)

The tables below detail the credit quality of the Group's trade and other receivables, as well as maximum exposure to credit risk by credit risk rating grades:

Group	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
2021						
Trade receivables	8	**(*)**	**Lifetime ECL (simplified approach)**	**9,888**	**(1,518)**	**8,370**
Deposits	9	**Performing**	**12-month ECL**	**130**	**–**	**130**
Sundry debtors	9	**Performing**	**12-month ECL**	**200**	**–**	**200**
					(1,518)	
2020						
Trade receivables	8	(*)	Lifetime ECL (simplified approach)	24,916	(1,762)	23,154
Deposits	9	Performing	12-month ECL	90	–	90
Sundry debtors	9	Performing	12-month ECL	172	–	172
					(1,762)	
Company						
2021						
Trade receivables	8	**(*)**	**Lifetime ECL (simplified approach)**	**9,775**	**(768)**	**9,007**
Deposits	9	**Performing**	**12-month ECL**	**89**	**–**	**89**
Sundry debtors	9	**Performing**	**12-month ECL**	**15**	**–**	**15**
Advances to subsidiaries	9	**Performing**	**12-month ECL**	**3,691**	**(142)**	**3,549**
					(910)	
2020						
Trade receivables	8	(*)	Lifetime ECL (simplified approach)	27,185	(336)	26,849
Deposits	9	Performing	12-month ECL	50	–	50
Sundry debtors	9	Performing	12-month ECL	16	–	16
Advances to subsidiaries	9	Performing	12-month ECL	3,657	–	3,657
					(336)	

NOTES TO FINANCIAL STATEMENTS

31 December 2021

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(i) Credit risk management (Continued)

(*) For trade receivables, the Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Group and the Company determine the expected credit losses on these items based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Note 8 include further details on the loss allowance for these receivables.

(ii) Interest rate risk management

The Group's and Company's exposure to changes in interest rates relates primarily to interest-bearing lease liabilities as disclosed in Note 19 for which interest rates are fixed.

No sensitivity analysis is prepared as the Group and the Company does not expect any material effect on the Group's and Company's profit or loss and equity arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the reporting period.

(iii) Foreign currency risk management

The Group operates internationally, giving rise to market risk from changes in foreign exchange risks. As far as possible, the Group relies on natural hedge of matching foreign currency denominated assets and liabilities of the same currency. The Group may enter into foreign exchange forward contracts to mitigate its foreign exchange exposure from time to time.

The carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective Group entities' functional currencies, are as follows:

	Group				Company			
	Assets		Liabilities		Assets		Liabilities	
	2021	2020	2021	2020	2021	2020	2021	2020
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Japanese yen	**19**	131	**186**	139	**19**	131	**186**	139
Malaysian ringgit	**8**	8	**–**	–	**8**	8	**–**	–
Singapore dollar	**897**	4,919	**2**	–	**–**	–	**–**	–
United States dollar	**1,472**	1,020	**13**	51	**582**	452	**–**	–

NOTES TO FINANCIAL STATEMENTS

31 December 2021

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(iii) Foreign currency risk management (Continued)

Foreign currency sensitivity

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against the functional currency of each Group entity. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

If the relevant foreign currency weakens by 10% against the functional currency of each Group entity, profit for the year will increase (decrease) by:

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Impact arising from				
Japanese yen	**17**	1	**17**	1
Malaysian ringgit	**(1)**	(1)	**(1)**	(1)
Singapore dollar	**(90)**	(492)	**–**	–
United States dollar	**(146)**	(97)	**(58)**	(45)

* Denotes amount less than $1,000.

If the relevant foreign currency strengthens by 10% against the functional currency of each Group entity, profit for the year will (decrease) increase by the same amounts.

(iv) Liquidity risk management

Liquidity risk refers to the risk in which the Group may not be able to meet its short-term obligations. The Group maintains sufficient cash and cash equivalents and internally generated cash flows to finance their activities. The Group has adequate credit facilities to meet all its operational requirements.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(iv) Liquidity risk management (Continued)

Liquidity and interest risk analyses

Non-derivative financial liabilities

The following table details the Group's contracted maturities for non-derivative financial liabilities. The table below has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount at the financial liability at the end of the reporting period.

	Weighted average effective interest rate %	Repayable on demand or within 1 year $'000	Within 2 to 5 years $'000	After 5 years $'000	Adjustment $'000	Total $'000
Group						
2021						
Non-interest bearing	**–**	**4,002**	**–**	**–**	**–**	**4,002**
Lease liabilities (fixed rate)	**3.00 – 3.22**	**602**	**1,245**	**4,281**	**(1,628)**	**4,500**
		4,604	**1,245**	**4,281**	**(1,628)**	**8,502**
2020						
Non-interest bearing	–	3,588	–	–	–	3,588
Lease liabilities (fixed rate)	3.00 – 5.64	3,241	2,357	–	(351)	5,247
		6,829	2,357	–	(351)	8,835
Company						
2021						
Non-interest bearing	**–**	**15,011**	**–**	**–**	**–**	**15,011**
Lease liabilities (fixed rate)	**3.00 – 3.22**	**602**	**1,245**	**4,281**	**(1,628)**	**4,500**
		15,613	**1,245**	**4,281**	**(1,628)**	**19,511**
2020						
Non-interest bearing	–	19,486	–	–	–	19,486
Lease liabilities (fixed rate)	3.00 – 3.26	2,160	1,523	–	(255)	3,428
		21,646	1,523	–	(255)	22,914

NOTES TO FINANCIAL STATEMENTS

31 December 2021

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(iv) Liquidity risk management (Continued)

Liquidity and interest risk analyses (Continued)

Non-derivative financial assets

All the non-derivative financial assets are repayable within one year and non-interest bearing (Notes 8 and 9), except for short-term interest on cash balances (Note 7) and financial assets at FVTPL (Note 14) which are relatively insignificant to the Group and the Company.

Derivative financial instruments

The Group and Company's derivative financial instruments comprise foreign exchange forward contracts amounting to a liability of $100,000 (2020: $Nil) (Note 16).

(v) Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and financial liabilities are disclosed in the respective notes to financial statements.

The fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following level:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

There was no transfer between Level 1 and Level 2 of the fair value hierarchy in the period.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(v) Fair value of financial assets and financial liabilities (Continued)

	Fair value hierarchy as at 31 December 2021			
	Total	**Level 1**	**Level 2**	**Level 3**
	$'000	**$'000**	**$'000**	**$'000**
Group and Company				
Financial assets				
Financial assets at fair value through profit or loss (Note 14)	**2,149**	**349**	**1,800**	**–**
Financial liabilities				
Derivative financial instruments (Note 16)	**100**	**–**	**100**	**–**

	Fair value hierarchy as at 31 December 2020			
	Total	**Level 1**	**Level 2**	**Level 3**
	$'000	**$'000**	**$'000**	**$'000**
Group and Company				
Financial assets				
Financial assets at fair value through profit or loss (Note 14)	404	404	–	–

(c) Capital management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consisted of debts (which include lease liabilities as disclosed in Notes 19) and equity attributable to equity holders of the Company, comprising issued share capital, retained earnings and reserves.

As a part of the review of capital structure, management considers the cost of capital and the risks associated with each source of financing. The management of capital structure includes making decisions relating to payment of dividends and the redemption of any existing loans. The Group's overall strategy remains unchanged from 2020.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

5 RELATED COMPANY TRANSACTIONS

Related companies in these financial statements refer to members of the Company's group of companies.

Some of the Company's transactions and arrangements are between members of the Group and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless stated otherwise.

Transactions between the Company and its subsidiaries, which are related companies of the Company, have been eliminated on consolidation and are not disclosed in this note.

6 OTHER RELATED PARTY TRANSACTIONS

Some of the Group's transactions and arrangements and terms thereof are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements.

Compensation of directors and key management personnel

The remuneration of directors and other members of key management are as follows:

	Group	
	2021	**2020**
	$'000	**$'000**
Short-term benefits	**2,426**	2,469
Post-employment benefits	**91**	105
	2,517	2,574

The remuneration of directors and key management is determined by the remuneration committee having regard the performance of individuals and market trends.

7 CASH AND CASH EQUIVALENTS

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Cash at bank	**36,740**	17,561	**30,492**	14,729
Cash on hand	**271**	50	**1**	3
Fixed deposits	**11,007**	15,008	**–**	2,002
	48,018	32,619	**30,493**	16,734

Cash and cash equivalents comprise cash on hand and at bank and fixed deposits held by the Group.

As at 31 December 2021, fixed deposits bore interest from 0.45% per annum (2020: 0.3% to 0.65% per annum) and for a tenure of 6 months (2020: 3 months to 1 year). The fixed deposits can be readily converted into cash with minimal charges and is subject to an insignificant risk of changes in value.

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8 TRADE RECEIVABLES

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Outside parties	**9,888**	24,916	**5,225**	15,865
Subsidiaries	**–**	–	**4,550**	11,320
	9,888	24,916	**9,775**	27,185
Less: Loss allowances	**(1,518)**	(1,762)	**(768)**	(336)
	8,370	23,154	**9,007**	26,849

As at January 1, 2020, trade receivables from contracts with customers amounted to $23,067,000 (net of loss allowance of $2,068,000).

The credit period ranges from 30 to 180 days (2020: 30 to 180 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition. No interest is charged on the outstanding trade receivables. The Group assesses the potential customer's credit quality and determines credit limits to be allowed before accepting any new customer. Credit limits granted to customers are reviewed regularly.

Analysis of trade receivables

Loss allowance for trade receivables has always been measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

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8 TRADE RECEIVABLES (CONTINUED)

The following table details the risk profile of trade receivables from contracts with customers in accordance with the Group's historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

	Group				
	Trade receivables – days past due				
	Not past due	**< 3 months**	**> 3 months and < 12 months**	**> 12 months**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
2021					
Estimated total gross carrying amount at default	**2,408**	**3,833**	**800**	**2,847**	**9,888**
Lifetime ECL	**(17)**	**(42)**	**(191)**	**(1,268)**	**(1,518)**
					8,370
2020					
Estimated total gross carrying amount at default	10,680	10,160	2,119	1,957	24,916
Lifetime ECL	(70)	(117)	(365)	(1,210)	(1,762)
					23,154

	Company				
	Trade receivables – days past due				
	Not past due	**< 3 months**	**> 3 months and < 12 months**	**> 12 months**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
2021					
Estimated total gross carrying amount at default	**1,618**	**4,305**	**418**	**3,434**	**9,775**
Lifetime ECL	**(58)**	**(122)**	**(88)**	**(500)**	**(768)**
					9,007
2020					
Estimated total gross carrying amount at default	6,328	8,043	2,170	10,644	27,185
Lifetime ECL	(52)	(89)	(123)	(72)	(336)
					26,849

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8 TRADE RECEIVABLES (CONTINUED)

In determining the ECL on trade receivables from subsidiaries, management has taken into account the financial position of the subsidiaries, adjusted for factors that are specific to the subsidiaries and general economic conditions of the industry in which the subsidiaries operate, in estimating the probability of default as well as loss upon default.

The table below shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in SFRS(I) 9:

	Group Lifetime ECL – credit-impaired	
	2021	**2020**
	$'000	**$'000**
At beginning of the year	**1,762**	2,068
Change in loss allowance due to new trade receivables originated, net of those derecognised due to settlement (Note 28)	**(200)**	57
Write-back of allowance for doubtful debts (Note 28)	**(10)**	(239)
Trade receivables written off	**(37)**	(113)
Foreign exchange gains or losses	**3**	(11)
At the end of the year	**1,518**	1,762

	Company Lifetime ECL – credit-impaired	
	2021	**2020**
	$'000	**$'000**
At beginning of the year	**336**	484
Change in loss allowance due to new trade receivables originated, net of those derecognised due to settlement	**632**	–
Write-back of allowance for doubtful debts	**(200)**	–
Trade receivables written off	**–**	(148)
At the end of the year	**768**	336

During the year, trade receivables amounting to $Nil (2020: $10,000) were written off as bad debts.

9 OTHER RECEIVABLES

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Subsidiaries	**–**	–	**3,691**	3,657
Deposits	**130**	90	**89**	50
Prepayments	**951**	984	**185**	191
Sundry debtors	**200**	172	**15**	16
	1,281	1,246	**3,980**	3,914
Less: Loss allowances	**–**	–	**(142)**	–
	1,281	1,246	**3,838**	3,914

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9 OTHER RECEIVABLES (CONTINUED)

The amounts due from subsidiaries are unsecured, interest free and repayable on demand.

	Company	
	Lifetime ECL – credit-impaired	
	2021	**2020**
	$'000	**$'000**
At beginning of the year	**–**	–
Change in loss allowance due to new other receivables originated, net of those derecognised due to settlement	**(142)**	–
At the end of the year	**(142)**	–

<u>Analysis of other receivables</u>

For purpose of impairment assessment, the other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Other receivables from subsidiaries are also considered to have low credit risk as the timing of payment is controlled by the Company taking into account cash flow management within the group of companies and there has been no significant increase in the risk of default on the amounts due from subsidiaries since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses.

In determining the ECL, management has taken into account the financial position of the subsidiaries, adjusted for factors that are specific to the subsidiaries and general economic conditions of the industry in which the subsidiaries operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

10 INVENTORIES

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Cranes and aerial lifts	**995**	3,930	**538**	2,500
Goods-in-transit	**260**	–	**–**	–
	1,255	3,930	**538**	2,500

The cost of inventories recognised as an expense was $16,000 (2020: $Nil) in respect of write-off of inventory.

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11 PROPERTY, PLANT AND EQUIPMENT

	Freehold land $'000	Leasehold land $'000	Workshop building $'000	Cranes $'000	Aerial lifts $'000	Motor vehicles $'000	Plant and equipment $'000	Total $'000
Group								
Cost:								
At 1 January 2020	3,056	506	6,747	109,008	9,594	4,030	3,929	136,870
Additions	–	–	2	1,039	–	97	40	1,178
Transfer from inventories	–	–	–	4,019	1,930	–	–	5,949
Transfer to inventories	–	–	–	(24,649)	(2,874)	–	–	(27,523)
Disposals	–	–	–	–	–	(276)	(44)	(320)
Written off	–	–	–	–	–	–	(2)	(2)
Exchange differences	(6)	–	(5)	1,075	41	48	45	1,198
At 31 December 2020	3,050	506	6,744	90,492	8,691	3,899	3,968	117,350
Additions	–	–	8	3,473	–	38	22	3,541
Transfer from inventories	–	–	–	7,697	3,100	–	–	10,797
Transfer to inventories	–	–	–	(18,855)	(1,668)	–	–	(20,523)
Disposals	–	–	–	–	–	(71)	(402)	(473)
Exchange differences	(46)	(1)	(37)	(3,092)	(115)	(254)	(120)	(3,665)
At 31 December 2021	**3,004**	**505**	**6,715**	**79,715**	**10,008**	**3,612**	**3,468**	**107,027**
Accumulated depreciation:								
At 1 January 2020	–	42	3,209	43,020	4,375	2,899	2,560	56,105
Depreciation for the year	–	14	198	6,436	786	377	282	8,093
Transfer to inventories	–	–	–	(11,760)	(1,659)	–	–	(13,419)
Disposals	–	–	–	–	–	(161)	(44)	(205)
Written off	–	–	–	–	–	–	(1)	(1)
Exchange differences	–	–	–	355	19	24	38	436
At 31 December 2020	–	56	3,407	38,051	3,521	3,139	2,835	51,009
Depreciation for the year	–	14	221	5,984	869	217	230	7,535
Transfer to inventories	–	–	–	(9,278)	(708)	–	–	(9,986)
Disposals	–	–	–	–	–	(71)	(200)	(271)
Exchange differences	–	(2)	(2)	(1,028)	(77)	(73)	(163)	(1,345)
At 31 December 2021	**–**	**68**	**3,626**	**33,729**	**3,605**	**3,212**	**2,702**	**46,942**
Impairment:								
At 1 January 2020	–	–	–	1,483	142	–	–	1,625
Transfer to inventories	–	–	–	(388)	(37)	–	–	(425)
Exchange differences	–	–	–	14	–	–	–	14
At 31 December 2020	–	–	–	1,109	105	–	–	1,214
Transfer to inventories	–	–	–	(82)	(15)	–	–	(97)
Exchange differences	–	–	–	(285)	–	–	–	(285)
At 31 December 2021	**–**	**–**	**–**	**742**	**90**	**–**	**–**	**832**
Carrying amount:								
At 31 December 2021	**3,004**	**437**	**3,089**	**45,244**	**6,313**	**400**	**766**	**59,253**
At 31 December 2020	3,050	450	3,337	51,332	5,065	760	1,133	65,127

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11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Workshop building $'000	Cranes $'000	Motor vehicles $'000	Plant and equipment $'000	Total $'000
Company					
Cost:					
At 1 January 2020	3,951	56,639	2,337	1,860	64,787
Additions	–	1,039	–	17	1,056
Transfer from inventories	–	3,321	–	–	3,321
Transfer to inventories	–	(5,646)	–	–	(5,646)
Disposal	–	–	(132)	(44)	(176)
Written off	–	–	–	(2)	(2)
At 31 December 2020	3,951	55,353	2,205	1,831	63,340
Additions	–	3,473	37	5	3,515
Transfer from inventories	–	4,578	–	–	4,578
Transfer to inventories	–	(8,547)	–	–	(8,547)
Disposal	–	–	–	(374)	(374)
At 31 December 2021	**3,951**	**54,857**	**2,242**	**1,462**	**62,512**
Accumulated depreciation:					
At 1 January 2020	3,083	24,419	1,819	1,332	30,653
Depreciation for the year	158	3,624	171	119	4,072
Transfer to inventories	–	(3,624)	–	–	(3,624)
Disposal	–	–	(44)	(44)	(88)
Written off	–	–	–	(1)	(1)
At 31 December 2020	3,241	24,419	1,946	1,406	31,012
Depreciation for the year	157	3,764	99	82	4,102
Transfer to inventories	–	(4,037)	–	–	(4,037)
Disposal	–	–	–	(174)	(174)
At 31 December 2021	**3,398**	**24,146**	**2,045**	**1,314**	**30,903**
Impairment:					
At 1 January 2020	–	176	–	–	176
Transfer to inventories	–	(72)	–	–	(72)
At 31 December 2020	–	104	–	–	104
Transfer to inventories	–	(58)	–	–	(58)
At 31 December 2021	**–**	**46**	**–**	**–**	**46**
Carrying amount:					
At 31 December 2021	**553**	**30,665**	**197**	**148**	**31,563**
At 31 December 2020	710	30,830	259	425	32,224

NOTES TO FINANCIAL STATEMENTS

31 December 2021

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the year, the Group carried out a review of the recoverable amount of its cranes and aerial lifts, having regard to the future market and economic conditions. These assets are used in the Group's rental segment. Impairment loss, if any, is included in the other operating expenses line item in the consolidated statement of profit or loss and other comprehensive income. The Group determined the recoverable amounts of these assets based on value-in-use calculations which require the use of key estimates such as utilisation rates and discount rates. The discount rates used in measuring value-in- use ranges within 7.0% to 9.5% per annum (2020: 7.0% to 9.1% per annum).

As at 31 December 2021, the carrying amount of finance lease assets classified within property, plant and equipment with corresponding lease liabilities (Note 19) of the Group and Company amounted to $1,851,000 (2020: $16,614,000) and $1,851,000 (2020: $10,409,000) respectively.

Details of the freehold land, leasehold land and building held by the Group as at 31 December 2021 are as follows:

Location	Gross area (sq.m)	Tenure	Use
Freehold land			
Lot 50622, Jalan Bukit Kemuning, Seksyen 32, 40460 Shah Alam Selangor	9,853	Freehold	Office and yard
Leasehold land			
PTB 1472, Mukim Tanjung Surat, Kota Tinggi, Johor 81100	8,741	37 years from October 2016	Office and yard
Workshop building			
26 Gul Road Singapore 629346	14,176	45 years from October 2000	Office and yard

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12 RIGHT-OF-USE ASSETS

The Group leases leasehold land and dormitory units. The average lease term is 20 years (2020: 5 years).

The Group's obligations are secured by the lessors' title to the leased assets for such leases.

Right-of-use assets

	JTC Corporation ("JTC") Land $'000	Dormitory $'000	Total $'000
The Group			
Cost:			
At 1 January 2020	1,238	158	1,396
Addition	–	78	78
At 31 December 2020	1,238	236	1,474
Addition	3,000	79	3,079
At 31 December 2021	**4,238**	**315**	**4,553**
Accumulated depreciation:			
At 1 January 2020	181	80	261
Depreciation	180	78	258
At 31 December 2020	361	158	519
Depreciation	182	79	261
At 31 December 2021	**543**	**237**	**780**
Carrying amount:			
At 31 December 2021	**3,695**	**78**	**3,773**
At 31 December 2020	877	78	955

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12 RIGHT-OF-USE ASSETS (CONTINUED)

Right-of-use assets (Continued)

	JTC Corporation ("JTC") Land $'000	Dormitory $'000	Total $'000
The Company			
Cost:			
At 1 January 2020	642	158	800
Addition	–	78	78
At 31 December 2020	642	236	878
Addition	3,000	79	3,079
At 31 December 2021	**3,642**	**315**	**3,957**
Accumulated depreciation:			
At 1 January 2020	92	80	172
Depreciation	93	78	171
At 31 December 2020	185	158	343
Depreciation	95	79	174
At 31 December 2021	**280**	**237**	**517**
Carrying amount:			
At 31 December 2021	**3,362**	**78**	**3,440**
At 31 December 2020	457	78	535

The Company has recognised an addition to right-of-use assets of $3,000,000 (2020: $Nil) in respect of renewal of land lease for a term of 20 years to be granted by JTC.

In addition, the Group made upfront payment(s) in full to secure the right-of-use of certain leasehold land. This leasehold land, with net book value amounting to $437,000 (2020: $450,000) is presented within property, plant and equipment (Note 11).

Right-of-use assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 11.

As at 31 December 2021, the Company has current and non-current lease receivables amounting to $96,000 (2020: $84,000) and $272,000 (2020: $380,000) from its subsidiary arising from the subleasing of office premises within the JTC Corporation Land.

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13 INVESTMENT IN SUBSIDIARIES

	Company 2021 $'000	Company 2020 $'000
Unquoted equity shares – at cost	**6,641**	6,643
Less: Impairment loss	**(931)**	–
	5,710	6,643
Loan to subsidiaries	**19,372**	22,742
	25,082	29,385

The loan amount is unsecured and repayment is at the discretion and ability of the subsidiaries. Accordingly, the loan to subsidiaries is deemed as part of the investment in subsidiaries.

The details of the Group's subsidiaries are as follows:

Name of subsidiary	Country of incorporation (or registration) and operation	Proportion of ownership interest and voting power held 2021 %	2020 %	Principal activity
Held by the Company				
Sin Heng Aerial Lifts Pte Ltd(1)	Singapore	**100**	100	Rental and trading of aerial lifts.
SH Heavy Machinery Sdn Bhd(2)	Malaysia	**100**	100	Rental and trading of cranes.
Sin Heng Vina Co. Ltd(4)	Vietnam	**100**	100	Dormant.
SH Equipment Pte Ltd(3)	Singapore	**100**	100	Trading of equipment.
PT SH Machinery Indonesia(4)	Indonesia	**100**	100	Trading of spare parts.
SH Equipment Holdings Sdn Bhd(4)	Malaysia	**100**	100	Investment Holding.
SH Equipment (HK) Limited(4), (5)	Hong Kong	–	100	Dormant.
Held by subsidiaries				
SH Equipment (Myanmar) Company Limited(4)	Myanmar	**100**	100	Rental of equipment.
Bestari Industrial Holdings Sdn Bhd ("Bestari")(4)	Malaysia	**100**	100	Investment Holding.

(1) Audited by Deloitte & Touche LLP, Singapore.

(2) Audited by Deloitte & Touche LLP, Malaysia.

(3) Audited by Baker Tilly TFW LLP, Singapore.

(4) Not audited as the subsidiary is not material for the Group's consolidated financial statements. Unaudited management accounts were used for consolidation purposes.

(5) Subsidiary was deregistered on 10 September 2021. The net assets of SH Equipment (HK) Limited at the date of deregistration is $2,000, arising from cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity upon loss of control of subsidiary.

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14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Company	
	2021	**2020**
	$'000	**$'000**
Current:		
(a) Short-term note	**1,800**	–
Non-current:		
(b) Quoted equity shares, at fair value	**349**	404
	2,149	404

The investments comprise:

(a) investment in short-term note which offers the Group and the Company the opportunity for return through interest income at 1.1% per annum. The fair value of this investment is based on the quoted closing market prices on the last market day of the financial year.

(b) investments in quoted equity securities that offer the Group and the Company the opportunity for return through dividend income and fair value gains. The fair value of these shares are based on the quoted closing market prices on the last market day of the financial year.

The investments are measured at fair value through profit or loss in accordance with SFRS(I) 9, as they represent an identified portfolio of investments which the Group and Company manage together with an intention of profit taking when the opportunity arises.

15 OTHER ASSETS

	Group and Company	
	2021	**2020**
	$'000	**$'000**
Golf club memberships	**69**	69
Allowance for impairment	**(59)**	(59)
Golf club memberships, at fair value	**10**	10

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16 DERIVATIVE FINANCIAL INSTRUMENTS

	Group & Company			
	2021		2020	
	Assets	Liabilities	Assets	Liabilities
	$'000	$'000	$'000	$'000
Foreign currency forward contracts	**–**	**(100)**	–	–

The Group utilises foreign currency forward contracts to purchase and sell Japanese yen ("JPY") and Singapore dollar ("SGD"), in the management of its exchange rate exposures.

At the end of the reporting period, the total notional amount of outstanding forward foreign exchange contracts to which the Group is committed are as follows:

	Group		Company	
	2021	2020	2021	2020
	'000	'000	'000	'000
Buy JPY	**756,209**	–	**756,209**	–

The fair value of the derivative financial assets and liabilities fall under level 2 of the fair value hierarchy. The fair values of these foreign currency forward contracts are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates.

The loss in fair value of the forward foreign exchange contract was $100,000 in 2021 (2020: gain of $40,000) and this has been taken up in profit or loss.

17 TRADE PAYABLES

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Outside parties	**739**	958	**511**	730
Subsidiary	**–**	–	**7,111**	6,459
	739	958	**7,622**	7,189

The average credit period on purchases of goods is 30 to 90 days (2020: 30 to 90 days). No interest is charged on the outstanding balance.

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18 OTHER PAYABLES

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Outside parties	**261**	180	**–**	–
Subsidiary	**–**	–	**4,775**	10,415
Accrued expenses	**2,528**	1,983	**2,147**	1,641
Deposits received	**474**	467	**467**	241
	3,263	2,630	**7,389**	12,297

Accrued expenses principally comprise amounts outstanding for personnel-related costs and other ongoing costs.

19 LEASE LIABILITIES

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Maturity analysis:				
Within one year	**602**	3,241	**602**	2,160
In the second to fifth year inclusive	**1,245**	2,357	**1,245**	1,523
After five years	**4,281**	–	**4,281**	–
	6,128	5,598	**6,128**	3,683
Less: Unearned interest	**(1,628)**	(351)	**(1,628)**	(255)
	4,500	5,247	**4,500**	3,428
Analysed as:				
Current	**558**	3,014	**558**	2,006
Non-current	**3,942**	2,233	**3,942**	1,422
	4,500	5,247	**4,500**	3,428

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's finance function.

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19 LEASE LIABILITIES (CONTINUED)

Reconciliation of liabilities arising from financing activities

The table below detail changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes			
	1 January 2021 $'000	**Financing cash flow $'000**	**Acquisition $'000**	**New lease liabilities $'000**	**Foreign exchange movement $'000**	**31 December 2021 $'000**
Lease liabilities	5,247	(3,804)	–	3,079	(22)	**4,500**
	5,247	(3,804)	–	3,079	(22)	**4,500**

			Non-cash changes			
	1 January 2020 $'000	**Financing cash flow $'000**	**Acquisition $'000**	**New lease liabilities $'000**	**Foreign exchange movement $'000**	**31 December 2020 $'000**
Lease liabilities	11,587	(6,408)	–	78	(10)	5,247
	11,587	(6,408)	–	78	(10)	5,247

20 DEFERRED TAX LIABILITIES

Movements of the net deferred tax liabilities recognised are as follows:

	Accelerated tax depreciation	
	Group $'000	**Company $'000**
Balance at 1 January 2020	6,486	3,209
Credit to profit or loss (Note 27)	(345)	(209)
Exchange differences	(4)	–
Balance at 31 December 2020	6,137	3,000
Charge to profit or loss (Note 27)	591	460
Exchange differences	(22)	–
Balance at 31 December 2021	**6,706**	**3,460**

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21 SHARE CAPITAL

	Group and Company			
	2021	2020	2021	2020
	'000	'000	$'000	$'000
	Number of ordinary shares			
Issued and paid-up:				
At beginning and end of the year	**114,889**	114,889	**41,846**	41,846

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

22 TREASURY SHARES

	Group and Company			
	2021	2020	2021	2020
	'000	'000	$'000	$'000
	Number of ordinary shares			
At beginning of the year	**876**	876	**355**	355
Repurchase of shares	**600**	–	**236**	–
At the end of the year	**1,476**	876	**591**	355

During the period, the Company acquired 600,000 (2020: Nil) of its own shares through purchases on the Singapore Exchange. The total amount paid to acquire the shares was approximately $236,000 (2020: $Nil) and has been deducted from shareholder's equity.

23 REVENUE

	Group	
	2021	2020
	$'000	$'000
Trading of cranes and aerial lifts recognised at a point in time	**25,908**	32,019
Rental of cranes and aerial lifts recognised over time	**24,771**	19,262
Servicing of cranes and aerial lifts recognised over time	**3,051**	2,076
	53,730	53,357

As permitted under SFRS(I) 15 *Revenue from Contracts with Customers*, no disclosure of transaction price allocated to the remaining performance obligation is necessary as the remaining performance obligation is part of a contract that has an original expected duration of one year or less.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

24 OTHER OPERATING INCOME

	Group	
	2021	**2020**
	$'000	**$'000**
Rental of office and warehouse space	**38**	69
Insurance claim received	**14**	250
Gain on disposal of property, plant and equipment	**–**	10
Interest income	**154**	328
Bad debts recovered	**173**	–
Foreign exchange gain	**–**	1,198
Government grants	**1,178**	1,865
Others	**181**	376
	1,738	4,096

In 2020, the Group received wage support for local employees under the Jobs Support Scheme ("JSS") from the Singapore Government as part of the Government's measures to support businesses during the period of economic uncertainty impacted by COVID-19. The Group assessed that there is reasonable assurance that it will comply with the conditions attached to the grants and the grants will be received. Grant income is recognised in profit or loss on a systematic basis over the period of uncertainty in which the related salary costs for which the grant is intended to compensate is recognised as expenses. Management has determined the period of uncertainty to be 17 months commencing from April 2020. JSS income of $1,127,000 (2020: $1,769,000) was recognised during the current financial year.

25 OTHER OPERATING EXPENSES

	Group	
	2021	**2020**
	$'000	**$'000**
Property, plant and equipment written off	**–**	1
Inventory written off	**16**	–
Bad debts written off	**–**	10
Loss on disposal of property, plant and equipment	**1**	–
Loss on deregistration of subsidiary	**2**	–
Fair value loss arising on financial assets designated as at FVTPL	**55**	149
Foreign exchange loss	**792**	–
Others	**132**	217
	998	377

NOTES TO FINANCIAL STATEMENTS

31 December 2021

26 FINANCE COSTS

	Group	
	2021	**2020**
	$'000	**$'000**
Interest expenses on:		
– Lease liabilities	**183**	473
	183	473

27 INCOME TAX EXPENSE (CREDIT)

	Group	
	2021	**2020**
	$'000	**$'000**
Current tax:		
– Current year	**622**	345
– Over provision in prior years	**(161)**	(440)
Deferred tax:		
– Current year	**321**	(721)
– Under provision in prior years	**270**	376
	1,052	(440)

Domestic income tax is calculated at 17% (2020: 17%) of the estimated assessable income for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total charge for the year can be reconciled to the accounting profit as follows:

	Group	
	2021	**2020**
	$'000	**$'000**
Profit before income tax	**4,818**	756
Income tax expense at the income tax rate of 17% (2020: 17%)	**819**	129
Tax effect of expenses not deductible for tax purpose	**412**	289
Tax effect of income not taxable in determining taxable profit	**(215)**	(488)
Tax effect of tax losses and capital allowances not recognised as deferred tax assets	**160**	47
Effect of utilisation of capital allowances previously not recognised as deferred tax assets	**(77)**	(304)
Effect of different tax rates of overseas subsidiaries	**(62)**	(48)
Over provision of current tax in prior years	**(161)**	(440)
Under provision of deferred tax in prior years	**270**	376
Others	**(94)**	(1)
Total income tax expense (credit)	**1,052**	(440)

Subject to the agreement of the tax authority, at the end of the reporting period, the Group has unabsorbed capital allowance of $943,000 (2020: unused tax losses of $452,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

28 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	Group	
	2021	**2020**
	$'000	**$'000**
Cost of defined contribution plans included in employee benefits expense	**1,000**	1,025
Directors' remuneration	**1,726**	1,563
Employee benefits expense (including directors' remuneration)	**12,857**	12,404
Net foreign exchange loss (gain)	**792**	(1,198)
Write back of impairment loss on financial assets	**(210)**	(182)
Bad debts (recovered) written off	**(173)**	10
Property, plant and equipment written off	**–**	1
Fair value loss arising on financial assets designated as at FVTPL	**55**	149
Cost of inventories recognised as expense	**19,986**	27,382
Unrealised fair value loss (gain) from derivative financial instruments	**100**	(40)
Government grant	**(1,178)**	(1,865)
Audit fees:		
– paid to auditors of the Company	**118**	110
– paid to other auditors	**24**	32
Non-audit fees:		
– paid to other auditors	**48**	39

Amount recognised in profit or loss relating to leases (The Group as lessee)

	2021	**2020**
	$'000	**$'000**
Depreciation expense on right-of-use assets	**261**	258
Interest expense on lease liabilities	**183**	473

NOTES TO FINANCIAL STATEMENTS

31 December 2021

29 PROFIT PER SHARE

Basic profit per share is calculated by dividing the profit for the financial year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the financial year.

The calculation of the basic and diluted profit per share is based on the following data:

	2021	2020
Profit for the year attributable to owners of the Company ($'000)	**3,766**	1,196
Weighted average number of fully paid ordinary shares in issue ('000)	**113,746**	114,013
Basic and diluted profit per share (cents)	**3.31**	1.05

30 DIVIDENDS

In 2021, a tax-exempt one-tier first and final dividend of 0.5 cents per ordinary share and special dividend of 4.5 cents per ordinary share, totalling $5,701,000 was declared and paid for the financial year ended 31 December 2020.

Subsequent to the end of the current financial year, the directors of the Company recommended that a tax-exempt one-tier first and final dividend of 1.0 cents per ordinary share and special dividend of 4.0 cents per ordinary share, totalling $5,671,000 (2020: $5,701,000) be paid for the financial year ended 31 December 2021. The dividend is subject to approval by shareholders at the forthcoming Annual General Meeting and hence the proposed dividend has not been accrued as a liability as at the end of the reporting period.

31 SEGMENT INFORMATION

Goods and Services from which reportable segments derive their revenue

For the purpose of the resource allocation and assessment of segment performance, the Group's chief operating decision maker has focused on the business operating units which in turn, are segregated based on their goods and services. This forms the basis of identifying the operating segments of the Group under SFRS(I) 8 *Operating segments* as follows:

Operating segments are segregated into a single reportable operating segment if they have similar economic characteristics, such as long-term average gross margins, and are similar in respect of nature of services and processes, type of customers, methods of distribution, and/or their reported revenue, absolute amount of profit or loss and assets are not material to the consolidated totals of all operating segments.

The Group's reportable operating segments are as follows:

Segment	Principal activities
Equipment rental	Rental and servicing of cranes and aerial lifts
Trading	Trading of cranes and aerial lifts

NOTES TO FINANCIAL STATEMENTS

31 December 2021

31 SEGMENT INFORMATION (CONTINUED)

Goods and Services from which reportable segments derive their revenue (Continued)

Segment revenue represents revenue generated from external customers. Segment profits represents the profit earned by each segment after allocating selling expenses. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

For the purpose of monitoring segment performance and allocating resources, the chief operating decision maker monitors the tangible and financial assets and liabilities attributable to each segment. All assets and liabilities are allocated to reportable segments. Assets and liabilities, if any, used jointly by reportable segments are allocated on the basis of the revenue earned by individual reportable segments.

Information regarding the Group's reportable segments is presented in the tables below.

	Equipment rental $'000	Trading $'000	Total $'000
2021			
Revenue			
Segment revenue	**27,822**	**25,908**	**53,730**
Results			
Segment results	**7,997**	**5,393**	**13,390**
Selling expenses	**(179)**	**(167)**	**(346)**
Other operating income			**1,738**
Administrative expenses			**(8,993)**
Other operating expenses			**(998)**
Reversal of impairment loss on financial assets			**210**
Finance costs	**(170)**	**(13)**	**(183)**
Profit before tax			**4,818**
Income tax expense			**(1,052)**
Profit for the year			**3,766**
Other information			
Capital expenditure	**(13,761)**	**(12)**	**(13,773)**
Depreciation expense	**(7,372)**	**(424)**	**(7,796)**
Loss on disposal of property, plant and equipment	**(1)**	**–**	**(1)**
Reversal of impairment loss on financial assets, subject to ECL	**210**	**–**	**210**

NOTES TO FINANCIAL STATEMENTS

31 December 2021

31 SEGMENT INFORMATION (CONTINUED)

Goods and Services from which reportable segments derive their revenue (Continued)

	Equipment rental $'000	Trading $'000	Total $'000
2020			
Revenue			
Segment revenue	21,338	32,019	53,357
Results			
Segment results	2,404	4,159	6,563
Selling expenses	(176)	(265)	(441)
Other operating income			4,096
Administrative expenses			(8,794)
Other operating expenses			(377)
Reversal of impairment loss on financial assets			182
Finance costs	(450)	(23)	(473)
Profit before tax			756
Income tax benefit			440
Profit for the year			1,196
Other information			
Capital expenditure	(4,134)	(588)	(4,722)
Depreciation expense	(7,755)	(596)	(8,351)
Gain on disposal of property, plant and equipment	10	–	10
Property, plant and equipment written off	(1)	–	(1)
Bad debts written off	(10)	–	(10)
Impairment loss on financial assets, subject to ECL	(57)	–	(57)

Revenue reported above represents revenue generated from external customers.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

31 SEGMENT INFORMATION (CONTINUED)

Goods and Services from which reportable segments derive their revenue (Continued)

	Equipment rental $'000	Trading $'000	Total $'000
2021			
Assets and liabilities			
Segment assets	**60,252**	**12,584**	**72,836**
Unallocated corporate assets			**51,273**
Total assets			**124,109**
Segment liabilities	**3,337**	**1,902**	**5,239**
Unallocated corporate liabilities			**10,069**
			15,308
2020			
Assets and liabilities			
Segment assets	65,096	19,340	84,436
Unallocated corporate assets			43,009
Total assets			127,445
Segment liabilities	6,067	606	6,673
Unallocated corporate liabilities			8,303
			14,976

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment results represents the profit earned by each segment without allocation of central administrative expenses, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performances.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

31 SEGMENT INFORMATION (CONTINUED)

Geographical segment information

The following table provide details on the Group's revenue by location of customers by geographical area:

	Group	
	2021	**2020**
	$'000	**$'000**
Singapore	**39,757**	21,996
Indonesia	**608**	18,939
Malaysia	**4,475**	5,719
Myanmar	**1,522**	2,841
Vietnam	**–**	559
Taiwan	**5,492**	2,240
Brunei	**–**	400
Others	**1,876**	663
	53,730	53,357

The Group's segment assets by geographical location are detailed below:

Non-current assets

Property, plant and equipment	**2021**	**2020**
	$'000	**$'000**
Singapore	**37,412**	37,162
Malaysia	**17,025**	20,101
Myanmar	**4,806**	7,848
Indonesia	**10**	16
	59,253	65,127

Major customer information

In 2021, no customer (2020: one customer) contributed to more than 10% of the Group's revenue.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

32 CAPITAL COMMITMENTS

	Group	
	2021	**2020**
	$'000	**$'000**
Capital expenditure in respect of acquisition of property, plant and equipment contracted but not provided for in the financial statements	**14,395**	2,498

33 OPERATING LEASE ARRANGEMENTS

The Group as lessee

As at 31 December 2021, the Group is committed to $178,000 (2020: $224,000) for short-term leases exempted under SFRS(I) 16.

The Group as lessor

Operating leases, in which the Group is the lessor, relate to rental of office spaces. The properties are managed and maintained by the Group.

	The Group as lessor	
	2021	**2020**
	$'000	**$'000**
Rental income	**38**	69

	The Group	
	2021	**2020**
	$'000	**$'000**
Maturity analysis of operating lease payments:		
Within one year	**38**	45

STATISTICS OF SHAREHOLDINGS

As at 17 March 2022

Total Number of Issued Shares	–	114,888,980
Total Number of Issued Shares (excluding treasury shares and subsidiary holdings)	–	113,413,000
Total Number of Treasury Shares held and Percentage	–	1,475,980 (1.3%)
Total Number of Subsidiary Holdings and Percentage	–	Nil
Class of Shares	–	Ordinary
Voting Rights	–	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	103	7.99	1,000	0.00
100 – 1,000	132	10.24	72,096	0.06
1,001 – 10,000	647	50.20	3,151,724	2.78
10,001 – 1,000,000	396	30.72	24,950,311	22.00
1,000,001 AND ABOVE	11	0.85	85,237,869	75.16
TOTAL	**1,289**	**100.00**	**113,413,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	TAL HOLDINGS PTE LTD	32,273,200	28.46
2	UOB KAY HIAN PRIVATE LIMITED	31,198,100	27.51
3	DBS NOMINEES (PRIVATE) LIMITED	4,489,796	3.96
4	DB NOMINEES (SINGAPORE) PTE LTD	3,130,900	2.76
5	PHILLIP SECURITIES PTE LTD	3,079,991	2.72
6	GOH GUAN SIONG (WU YUANXIANG)	2,863,300	2.52
7	SHRINIWAS RAI	2,112,460	1.86
8	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,942,200	1.71
9	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,604,561	1.41
10	LIM GUAN CHONG	1,478,461	1.30
11	ONG LIM WAN @ ONG TECK MENG	1,064,900	0.94
12	YEO SENG CHONG	1,000,000	0.88
13	TAN SU LAN @ TAN SOO LUNG	996,860	0.88
14	YUUKI IKEDA	932,820	0.82
15	OCBC SECURITIES PRIVATE LIMITED	897,800	0.79
16	ABN AMRO CLEARING BANK N.V.	871,200	0.77
17	HONG LEONG FINANCE NOMINEES PTE LTD	680,000	0.60
18	SIM SZE MAY	680,000	0.60
19	NG LIN AI	668,900	0.59
20	HTAY HTAY NAING	549,800	0.48
	TOTAL	**92,515,249**	**81.56**

STATISTICS OF SHAREHOLDINGS

As at 17 March 2022

SUBSTANTIAL SHAREHOLDERS AS AT 17 MARCH 2022

(As recorded in the Register of Substantial Shareholders)

		Direct Interest		Deemed Interests	
No.	**Name**	**No. of shares held**	**%**	**No. of shares held**	**%**
1.	TAL Holdings Pte Ltd	32,273,200	28.46	–	–
2.	Tan Ah Lye	304,000	0.27	32,273,200(1)	28.46
3.	United Hope Pte. Ltd.	30,950,000(2)	27.29	–	–
4.	Teo Yi-Dar	1,600	0.001	30,950,000(3)	27.29

Notes:

(1) Mr. Tan Ah Lye owns more than 20% of the issued and paid up shares in the capital of TAL Holdings Pte Ltd ("**TALH**"). For the purpose of Section 7 of the Companies Act 1967 of Singapore ("**Companies Act**"), Mr. Tan Ah Lye is deemed to be interested in the shares held by TALH.

(2) United Hope Pte. Ltd. directly hold 30,950,000 shares in the capital of the Company through UOB Kay Hian Nominees Pte Ltd.

(3) Mr. Teo Yi-Dar, is deemed to be interested in 30,950,000 shares in the capital of the Company which are held by United Hope Pte. Ltd. by virtue of Section 7 of the Companies Act.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on Shareholders' Information as at 17 March 2022, approximately 43.98% of the issued ordinary shares of the Company are held by the public and therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of Sin Heng Heavy Machinery Limited (the "**Company**") will be held by way of electronic means on Friday, 29 April 2022 at 10.00 a.m. to transact the business as set out below:

AS ORDINARY BUSINESSES

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2021, together with the Auditors' Report thereon.
Resolution 1

2. To re-elect the following Directors of the Company retiring pursuant to Regulations 89 and 96 of the Constitution of the Company:–

   (a) Mr. Tan Cheng Guan (Retiring under Regulation 89) **Resolution 2**

   (b) Mr. Tan Cheng Kwong (Chen Qinguang)(Retiring under Regulation 89) **Resolution 3**

   (c) Mr. Lim Keng Hoe (Lin Qinghe) (Retiring under Regulation 96) **Resolution 4**

[See Explanatory Notes (i), (ii) and (iii)]

3. To declare a first and final dividend of 1.0 Singapore cents and special dividend of 4.0 Singapore cents per ordinary share tax-exempt (one-tier) for the financial year ended 31 December 2021.
Resolution 5

4. To approve the payment of Directors' fees of S$178,817 for the financial year ended 31 December 2021 (2020: S$246,186).
Resolution 6

5. To re-appoint Messrs Deloitte & Touche LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.
Resolution 7

6. To transact any other ordinary business which may properly be transacted at an AGM.

AS SPECIAL BUSINESSES

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. **Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act 1967 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited**

   That pursuant to Section 161 of the Companies Act 1967 and Rule 806 of the Listing Manual of the SGX-ST, the Directors of the Company be authorised and empowered to:

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

NOTICE OF ANNUAL GENERAL MEETING

(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) options, 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 of the Company 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 pursuant to any Instrument made or granted by the Directors of the Company while this Resolution was in force,

(the "***Share Issue Mandate***")

provided that:

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

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued Shares and Instruments shall be based on the number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares;

Adjustments in accordance with sub-paragraph (2)(a) or sub-paragraph (2)(b) above are only to be made in respect of new Shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution.

(3) in exercising the Share Issue Mandate 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 Constitution of the Company; and

NOTICE OF ANNUAL GENERAL MEETING

(4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

Resolution 8
[See Explanatory Note (iv)]

8. **Renewal of the Share Buy-back Mandate**

That:

(a) for the purpose of the Companies Act 1967, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire the Shares (excluding treasury shares and subsidiary holdings) not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) on-market purchase, transacted on the SGX-ST through the ready market on the SGX-ST trading system or through one or more duly licensed stockbrokers appointed by the Company for such purpose (each a "**On-Market Share Buy-Back**"); and/or

(ii) off-market purchase effected pursuant to an equal access scheme in accordance with Section 76C of the Companies Act1967 ("**Off-Market Share Buy-Back**"),

(the "**Share Buy-Back Mandate**");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy-Back Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(i) the conclusion of the next AGM of the Company or the date by which such AGM is required by law to be held;

(ii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Buy-Back Mandate are carried out to the full extent mandated; or

(iii) the date on which the authority conferred by the proposed Share Buy-Back Mandate is revoked or varied by ordinary resolution of the Company in a general meeting;

NOTICE OF ANNUAL GENERAL MEETING

(c) in this Resolution:

"**Average Closing Price**" means the average of the closing market prices of the Shares over the last consecutive five (5) Market Days, on which transactions in the Shares were recorded on the SGX-ST, immediately before the date of the On-Market Share Buy-Back or, as the case may be, the date of the making of the offer pursuant to the Off-Market Share Buy-Back, and deemed to be adjusted, in accordance with the listing rules of the SGX-ST, for any corporate action that occurs during the relevant five (5) day period and the date of the making of the offer pursuant to the Off-Market Share Buy-Back; and

"**date of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Share Buy-Back;

"**Maximum Price**" in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(i) in the case of an On-Market Share Buy-Back, 105% of the Average Closing Price of the Shares; and

(ii) in the case of an Off-Market Share Buy-Back, 120% of the Average Closing Price of the Shares; and

"**Prescribed Limit**" means that number of issued Shares representing 10% of the total number of issued Shares as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares and subsidiary holdings as at that date); and

(d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may in their/his absolute discretion consider expedient or necessary to give effect to the transactions contemplated and/or authorised by the Share Buy-Back Mandate and/or this Resolution.

Resolution 9
[See Explanatory Note (v)]

By Order of the Board

Ms Siau Kuei Lian
Company Secretary
Singapore, 7 April 2022

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Mr. Tan Cheng Guan will, upon re-election as a Director of the Company remain as the Executive Director of the Company. Please refer to pages 42 and 43 of the Corporate Governance Report in the Annual Report for the detailed information as required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.

(ii) Mr. Tan Cheng Kwong (Chen Qinguang) will, upon re-election as a Director of the Company remain as the Executive Director and Deputy Chief Executive Officer of the Company. Please refer to pages 44 and 45 of the Corporate Governance Report in the Annual Report for the detailed information as required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.

(iii) Mr. Lim Keng Hoe (Lin Qinghe) will, upon re-election as a Director of the Company remain as an Independent Director, a member of Audit and Risk Committee, Remuneration Committee and Nominating Committee and will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST. Please refer to pages 46 and 47 of the Corporate Governance Report in the Annual Report for the detailed information as required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.

(iv) Resolution 8 above, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a *pro rata* basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards which issued and outstanding or subsisting at the time when this Resolution is passed and any subsequent consolidation or subdivision of shares.

(v) Resolution 9 above, if passed, will empower the Directors of the Company, from the date of this Annual General Meeting until 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, to repurchase ordinary shares of the Company by way of On-Market Share Buy-Back or Off-Market Share Buy-Back of up to 10% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the Maximum Price as defined in the Appendix to the Notice of the AGM dated 7 April 2022 (the "**Appendix**"). The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Buy-Back Mandate on the audited consolidated financial statements of the Group (as defined in the Appendix) for the financial year ended 31 December 2021 are set out in greater detail in the Appendix.

Notes:

1. The AGM will be held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trust, Unit Trusts and Debenture Holders) Order 2020.

2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or audio-only stream only), submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in the accompanying Company's announcement dated 7 April 2022. This announcement may be accessed at the Company's website at http://www.sinheng.com.sg or SGX's website at https://www.sgx.com/securities/company-announcements.

3. Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which, the appointment of Chairman of the Meeting as proxy for that Resolution will be treated as invalid.

   The instrument appointing the Chairman of the Meeting as proxy must be deposited at the Company's share registrar's office, Boardroom Corporate & Advisory Services Pte. Ltd., 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632 by mail or email to agm2022@sinheng.com.sg, or digital submission at https://conveneagm.com/sg/sinheng2022, in either case, by 10.00 a.m. on 27 April 2022 being not less than forty-eight (48) hours before the time appointed for holding the AGM. The Chairman of the Meeting, as proxy, need not be a member of the Company.

   A member of the Company who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

NOTICE OF ANNUAL GENERAL MEETING

4. The instrument appointing the Chairman of the AGM as proxy must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the AGM as proxy is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing the Chairman of the AGM as proxy is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

5. Investors who hold shares through Relevant Intermediaries*, including under the Central Provident Fund Investment Scheme ("**CPF Investors**") or the Supplementary Retirement Scheme ("**SRS Investors**"), and who wish to appoint the Chairman of the Meeting as their proxy should approach their respective Relevant Intermediaries*, including CPF Agent Banks or SRS Operators, to submit their votes at least seven (7) working days before the AGM (i.e. by 10.00 a.m. on 19 April 2022).

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act 1970 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 of Singapore and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act 1953 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal Data Privacy

By (a) submitting an instrument appointing the Chairman of the AGM as proxy to vote at the AGM of the Company and/or any adjournment thereof, or (b) submitting details for the registration to observe the proceedings of the AGM of the Company via live audio-visual webcast or audio-only stream only, or (c) submitting any question prior to the AGM of the Company in accordance with this Notice, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the following purposes:

(i) processing and administration and analysis by the Company (or its agents or service providers) of the instruments appointing the Chairman of the Meeting as proxy for the AGM of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM of the Company (including any adjournment thereof);

(ii) processing of the registration for purpose of granting access to members (or their corporate representatives in the case of members which are legal entities) to the live audio-visual webcast or audio-only stream only to observe the proceedings of the AGM of the Company and providing them with any technical assistance where necessary;

(iii) addressing substantial and relevant questions from members received before the AGM of the Company and if necessary, following up with the relevant members in relation to such questions; and

(iv) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines by the relevant authorities.

The member's personal data may be disclosed or transferred by the Company to its subsidiaries, its share registrar and/or other agents or bodies for any of the abovementioned purposes, and retained for such period as may be necessary for the Company's verification and record purposes. Photographic, sound and/or video recordings of the AGM of the Company may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the AGM of the Company. Accordingly, the personal data of a member (such as his name, his presence at the AGM of the Company and any questions he may raise or motions he propose/second) may be recorded by the Company for such purpose.

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SIN HENG HEAVY MACHINERY LIMITED
(Company Registration No. 198101305R)
(Incorporated In the Republic of Singapore)

IMPORTANT:
1. Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which, the appointment of Chairman of the Meeting as proxy for that Resolution will be treated as invalid.
2. Alternative arrangements to, among others, attendance, submission of questions in advance, voting by proxy at the Meeting, are set out in the Notice of Annual General Meeting dated 7 April 2022.
3. Persons, who would have been able to be appointed as proxies by relevant intermediaries under Section 181(1C) of the Companies Act, such as Central Provident Fund Investment Scheme and Supplementary Retirement Scheme (as may be applicable) and wishes to appoint the Chairman of the AGM as their proxy should approach their respective relevant intermediaries (e.g. CPF/SRS Approved Nominees such as CPF Agent Banks or SRS Operators) to submit their votes by 10.00 a.m. on 19 April 2022, being seven (7) working days before the AGM.
4. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

ANNUAL GENERAL MEETING PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ______________________ Name ____________ (NRIC/Passport No./Co. Registration No.)

of ____ (Address)
being *a member/members of **SIN HENG HEAVY MACHINERY LIMITED** (the "**Company**"), hereby appoint the Chairman of the Annual General Meeting (the "**Meeting**") as *my/our proxy to vote for *me/us on *my/our behalf at the Meeting to be held by way of electronic means on Friday, 29 April 2022 at 10.00 a.m. and at any adjournment thereof.

*I/We direct the Chairman of the Meeting, being *my/our proxy, to vote for or against, or to abstain on the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the appointment of Chairman of the Meeting as proxy for that Resolution will be treated as invalid.

No.	Resolutions relating to:	No. of Votes 'For'**	No. of Votes 'Against'**	No. of Votes 'Abstain'**
Ordinary Businesses				
1	Adoption of the Directors' Statement and Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2021, together with the Auditors' Report thereon			
2	Re-election of Mr. Tan Cheng Guan as a Director of the Company			
3	Re-election of Mr. Tan Cheng Kwong as a Director of the Company			
4	Re-election of Mr. Lim Keng Hoe as a Director of the Company			
5	Payment of proposed first and final dividend of 1.0 Singapore cents and special dividend of 4.0 Singapore cents per ordinary share tax-exempt (one-tier) for the financial year ended 31 December 2021			
6	Approval of payment of Directors' fees of S$178,817 for the financial year ended 31 December 2021 (2020: S$246,186)			
7	Re-appointment of Messrs Deloitte & Touche LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration			
Special Businesses				
8	Authority to issue new shares			
9	Renewal of the Share Buy-Back Mandate			

* Delete where inapplicable

** *If you wish to exercise all your votes 'For' or 'Against' or 'Abstain', please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate. If you mark the abstain box for a particular resolution, you are directing your proxy not to vote on that resolution on a poll and your votes will not be counted in computing the required majority on a poll.*

Dated this ______ day of ______________ 2022

Total number of Shares held

____
Signature of Member(s)
and/or, Common Seal of Corporate Member

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001 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.

2. **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person.** A member of the Company who is not a Relevant Intermediary* entitled to vote at the Meeting must appoint the Chairman of the Meeting to act as proxy and direct the vote at the Meeting. A member (whether individual or corporate) appointing the Chairman of the AGM as proxy must give specific instructions as his/her/its manner of voting, or abstentions from voting, in the instrument of proxy, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

3. The instrument appointing the Chairman of the Meeting as proxy must be deposited at the office of the Company's share registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632 by mail or email to agm2022@sinheng.com.sg, or submit digitally at https://conveneagm.com/sg/sinheng2022 in either case, by 10.00 a.m. on 27 April 2022 being not less than forty- eight (48) hours before the time appointed for holding the AGM.

4. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing the Chairman of the Meeting as proxy is executed by an attorney on behalf of the appointer, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

5. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act 1967 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it was an individual.

6. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) and wishes to appoint the Chairman of the Meeting as their proxy should approach their respective CPF and/or SRS Approved Nominees to submit their votes at least seven (7) working days before the Meeting (i.e. by 10.00 a.m. on 19 April 2022).

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act 1970 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 of Singapore and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act 1953 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

General:

The Company shall be entitled to reject the instrument appointing the Chairman of the Meeting as proxy if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the Meeting as proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing the Chairman of the Meeting as proxy lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting an instrument appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 7 April 2022.

SIN HENG
HEAVY MACHINERY LIMITED

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